

Seeing the Elephant: Looking Beyond China

BY

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## **APPROVAL**

The undersigned certify that this thesis meets master's-level standards of research, argumentation, and expression.

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Col SUZANNE C. BUONO, PhD

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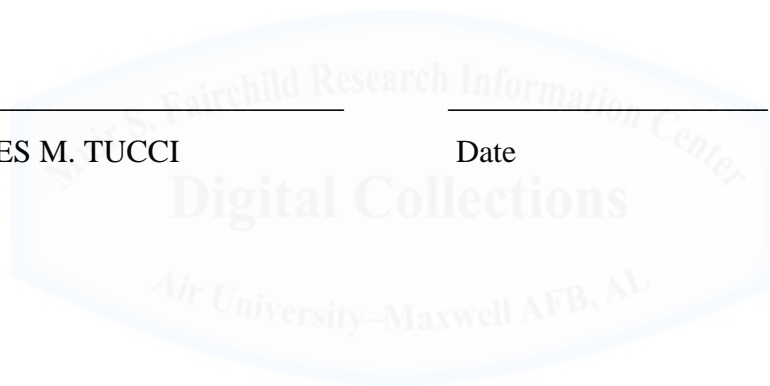
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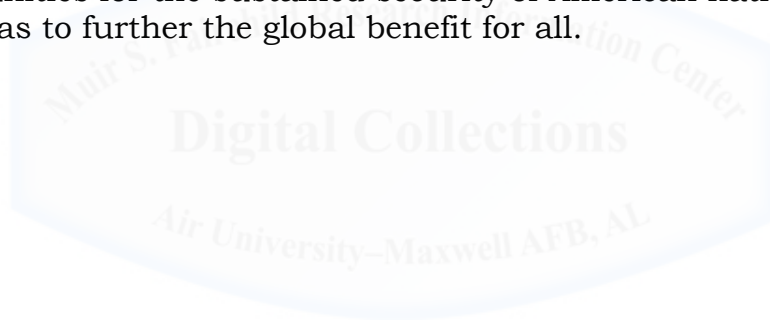
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## **ABSTRACT**

As the United States leaves Iraq and Afghanistan, concerns over China are dominating the security discourse, largely to the exclusion of long-term American interests in other geographic regions. This thesis focuses on Brazil, Russia, and India, and explores the strategic importance of increasing strategic engagement with these bilateral partners in areas of mutual interest, such as security, economics, energy, and military relations.

A profound power shift is occurring in international politics, which compels a rethinking of the US role in the world. The decisions American leadership will make in the coming years regarding economic policies and military force structure will greatly affect the degree of political influence the nation wields in the international system. The United States must acknowledge the current geopolitical reality and the growing need for collaboration with Brazil, Russia, and India in order to create opportunities for the sustained security of American national interests, as well as to further the global benefit for all.



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## Introduction

*Every great achievement was a vision before it became a reality. In that sense, it arose from commitment, not resignation to the inevitable.*

*Henry Kissinger*

*There is nothing either good or bad, but thinking makes it so. For me it is a prison.*

*William Shakespeare*

America is at a strategic turning point after a decade at war. The United States has played a pivotal role in creating and transforming the international system since World War II, a system which has resulted in a safer, more stable and more prosperous world for America's people, its allies, and its partners around the globe.<sup>1</sup> As the United States leaves Iraq and Afghanistan, it must take steps to protect its economic vitality and vital interests in a world of accelerating geopolitical change.

This is a time of great reflection for the United States. As Thomas Barnett stated, America must abandon its unilateralist strategies of the past decade, and find the self-control one expects of a super power.

For the past eight years, America has remained somewhat trapped in angry isolation, cherishing its fears and nurturing its resentments. But we need to stop looking for security at the bottom of the bottle labeled "shoot first" unilateralism, because we will never find it there, certainly not in this world of rising connectivity and interdependency. We instinctively reached for that empowering brew after 9/11, and our state of strategic intoxication since then has left a trail of tears-among our warriors and their families, among the recipients of our violent outbreaks, among a world's population that suspects-and hopes-that we're capable of so much more self-control.<sup>2</sup>

America is not approaching this inflection point blindly. President Barack Obama acknowledged the need to transition from today's wars

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<sup>1</sup> US Department of Defense, *Sustaining US Global Leadership: Priorities for 21st Century Defense* (Washington, DC: USGPO), January 2012, 1.

<sup>2</sup> Thomas P.M. Barnett, *Great Powers: America and the World After Bush* (New York: Putnam Adult, 2009), 36-37.

and prepare for future challenges, including protecting US national security interests and supporting the “national security imperative of deficit reduction” in the nation’s new defense strategy.<sup>3</sup>

Unfortunately, the United States is placing itself on a rigid vector, one that dismisses any other possible regions or nations which may also pose significant security concerns or valuable opportunities. China’s emergence as a regional power is prompting the United States to “rebalance toward the Asia-Pacific region.”<sup>4</sup> While America cannot ignore China’s newfound and increasing strength, it is also not the only player on the international stage that is currently on the rise. Like the blind men in the Buddhist fable who each feels a different part of the elephant, its tusk, ear, leg, or tail, the United States is failing to see beyond the one part it is “touching” (China) to the exclusion of the other regional and growing powers (Brazil, Russia, and India).<sup>5</sup>

### **Methodology**

This thesis considers US options for strategic engagement for long-term American interests in South America (Brazil), Central Eurasia (Russia), and South Asia (India).<sup>6</sup> It will present key information about each state that demonstrates how each is in fact a regional power.

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<sup>3</sup> DOD, *Sustaining US Global Leadership*, 1.

<sup>4</sup> China’s emergence as a regional power may have the potential to affect the US economy and our security. Both countries have a strong stake in peace and stability in East Asia and an interest in building a cooperative bilateral relationship. America will continue to invest in the required items to ensure we maintain regional access and the ability to operate freely in keeping with our treaty obligations and with international law. DOD, *Sustaining US Global Leadership*, 2.

<sup>5</sup> Hans Binnendijk and Richard L. Kugler, *Seeing the Elephant: the US Role in Global Security* (Washington, DC: Potomac Books Inc., 2007), xi. Although I am not insinuating that the American leadership is blind, they tend to focus on only one part of the international system; therefore, I will recommend other options throughout this paper.

<sup>6</sup> Membership of the regions as of 2010: South America – Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, French Guyana, Paraguay, Peru, Suriname, Uruguay, Venezuela; Central Eurasia – Afghanistan, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan; South Asia – Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka. Stewart-Ingersoll and Derrick Frazier, *Regional Powers and Security Orders: a Theoretical Framework* (New York: Routledge, 2012), 45.

Chapters 1-3 draw upon the theoretical regional power and security framework (RPSF) developed by Dr. Robert Stewart-Ingersoll and Dr. Derrick Frazier, each nation is analyzed based on its possession of a sufficient share of its respective regional capabilities, as well as its ability to perform specified jobs that significantly influence how the regional security order is developed and maintained.<sup>7</sup> This study uses a number of sources to capture the contemporary realities, as well as historical precedents for each nation. Each nation's historical tendencies are investigated using contemporary texts, as well as newspaper and journal articles, to set the stage. For an appreciation of the current and future geopolitical environment, the analysis draws upon documents from prominent think tanks, current fiscal statistics, and statements from senior leaders. The final chapter then provides implications for policy as well as brief conclusions and recommendations for decision makers.

### **Regional Power and Security Framework**

It is important that the reader understand the basis of the RPSF as defined by Frazier and Stewart-Ingersoll, prior to proceeding on to the nation-specific chapters. When analyzing regional powers, it is necessary to combine different international relations theories. The narrow view of a realist, liberal, or constructivist is not sufficient to capture the complexity of this matter. For example, the distribution of power resources among states constitutes an important stimulus for the rise of regional powers, as a realist would contend.<sup>8</sup> The liberal perspective of political and economic dynamics within the prospective regional power is important for a regional power.<sup>9</sup> In addition,

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<sup>7</sup> I will further elucidate the intricacies of this approach in the next section. Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 10.

<sup>8</sup> Kenneth N. Waltz, *Theory of International Politics* (New York: Waveland Pr Inc, 2010), 98.

<sup>9</sup> Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, 1st Princeton classic ed. (New York: Princeton University Press, 2005), 9, 26. Robert Gilpin and Jean M. Gilpin, *Global Political Economy: Understanding the International Economic Order* (New York: Princeton University Press, 2001), 44-45.

governmental ideas about leadership and the aspired international or regional order also matter, as the constructivists believe.<sup>10</sup> Therefore, the RPSF combines these different elements of international relations' theories to achieve a holistic approach of the regional power.<sup>11</sup>

There is much debate as to the definition of a regional power. The term causes confusion in international relations communities, as it comprises two terms that are conceptualized quite differently with many variations. This thesis defines a regional power as a state:

- Which articulates its self-perception as a leading position in a region that is geographically defined and incorporates the manner in which it acts and the implications it has on other regional members<sup>12</sup>
- Which displays the material (military, economic, demographic), political and ideological resources for regional power projection
- Which is able to influence regional affairs (activities and results)<sup>13</sup>

Not every region in the world has a regional power. Regional powers have the means and the desire to be dominant in their area of the world, along with the support of enough regional members to influence international affairs. In short, a regional power is a state who possesses adequate material capabilities to project power throughout the region and who can excessively influence the security dynamics within their region.<sup>14</sup>

The first two requirements for a regional power are straightforward, however the implications of a nation's ability to influence regional affairs requires more analysis. This is where the RPSF is especially useful. The

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<sup>10</sup> Alexander Wendt, *Social Theory of International Politics* (New York: Cambridge University Press, 1999), 1, 185.

<sup>11</sup> Detlef Nolte, "How to Compare Regional Powers: Analytical Concepts and Research Topics," *Review of International Studies*, 2010, [http://www.giga-hamburg.de/dl/download.php?d=/content/staff/nolte/publications/how\\_to\\_compare\\_nolte.pdf](http://www.giga-hamburg.de/dl/download.php?d=/content/staff/nolte/publications/how_to_compare_nolte.pdf), (accessed 18 May 2012).

<sup>12</sup> Robert Stewart-Ingersoll and Derrick Frazier, *Regional Powers and Security Orders: a Theoretical Framework* (New York: Routledge, 2012), 44.

<sup>13</sup> Detlef Nolte, "How to Compare Regional Powers."

<sup>14</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 7.



framework is used to determine a nation's capacity to act as a regional leader, custodian, or protector to influence how the regional security order is developed and/or maintained.<sup>15</sup> Approached in a holistic manner, these roles can help one to analyze potential barriers to cooperation, or to find opportunities for further cooperation with the United States. The first role is regional leadership, defined as the ability to elicit cooperation toward shared objectives and providing a means through which to achieve those objectives. In essence, regional leaders seek to move the other regional members in a specific policy direction, and the others follow. The second role is regional custodianship, defined as the arrangement of energies to maintain and/or stabilize the current security order. The regional custodian facilitates the region's engagement of internal security threats, such as civil wars or genocide. The final role is that of regional protector, the nation who assumes the role of protecting and managing the relationship between region and external actors and processes. The regional protector is mostly concerned with external threats, and wants to be viewed as the single point of contact for the region in its defense against any external actors or threats.<sup>16</sup>

### **Why these Nations?**

Brazil, Russia, and India all seem to possess a wide range of economic, military, and political power resources, as well as some capacity to contribute to international order and some degree of internal cohesion and capacity for effective state action.<sup>17</sup> Their emerging economic strength displays significant growth, and projections of future development reveal significant geopolitical implications will follow. Additionally, these nations all share a belief in their entitlement to a

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<sup>15</sup> I will examine each state as it performs these roles, though not in the same order each time.

<sup>16</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 11.

<sup>17</sup> Andrew Hurrell, "Hegemony, Liberalism and Global Order: What Space for Would-be Great Powers?," *International Affairs* 82, (1) (2006): 1.



more influential role in world affairs. Although the perception of a right to influence world dynamics does not make it a reality, these nations appear to have the power and support to demand a revision to the established order, reflecting their own interests, concerns, and values. The final reason these countries can be differentiated from other regional powers is the degree to which today they are on the margins of the institutions created in the wake of World War II. Not currently integrated in an alliance system with the United States, these countries have historically challenged the conceptions of the Western world.<sup>18</sup>

As the following chapters highlight, there are substantial differences among these countries in terms of their power, geopolitical importance, economic prosperity, and, most importantly their distinctive cultures and historical trajectories. Yet, comparing and contrasting them as a group provides common themes the United States can leverage to develop long-term strategies.

The United States is facing an inflection point, a profound power shift is occurring in international politics, which compels a rethinking of the US world role.<sup>19</sup> As regional powers emerge, they will assume roles that are more prominent. Thus, a post-Cold War uni-polarity is in the process of being replaced by a multipolar system. Although the United States has not quite hit the point of imperial overstretch, it may be close, and the strategic decisions of the next decade will either accelerate or decelerate this trend.<sup>20</sup> Today there is a perception of American decline, given the dismal US economic situation, the relative growth of Brazil, Russia, India, and China's economies, and the belief that America has

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<sup>18</sup> Some challenges include the "revolutionism of the Soviet Union (and China) to the hard-revisionist Third Worldism of post-1948 India and the soft-revisionist Third Worldism of Brazil from the 1970s to 1980s." Hurrell, "Hegemony, Liberalism and Global Order," 3.

<sup>19</sup> Henry Kissinger, *On China* (New York: Penguin Press HC, 2011), xv-xvi.

<sup>20</sup> An example of imperial overstretch was the Great Britain experience at the turn of the 20th century when the United States was a growing power. Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York: Random House, 1987), 202, 226.

lost international favor and therefore influence because of its responses to 11 September 2001. Many argue the difficult wars in Iraq and Afghanistan proved the limits of American military power and stretched the United States beyond its capacities. However, these are merely indicators for a possible future. The decisions American leadership will make in the coming years regarding economic policies and military force structure will greatly affect the degree of political influence the nation wields in the international system.<sup>21</sup>

How America redefines its interests and external ambitions are pivotal to the reshaping of world politics. The country no longer has the capacity to dominate as much of the globe as in the past, yet it remains the strongest global power. Americans have always worried about their possible decline. Sputnik, defeat in Indochina, now the rise of China, all of these crises caused the US to doubt its position. Perhaps low-key hedging is appropriate as a response to China's burgeoning growth, but not to the scale of a recent proposed shift in policy. It will probably cause more harm than good, now that relations between the two countries have improved. In addition, throwing more money at China in terms of military resources is becoming increasingly untenable, given the current budget constraints and the inability of a dysfunctional Congress to address the causes of our underlying economic malaise. The United States must acknowledge the current geopolitical reality and the growing need for collaboration with Brazil, Russia, and India in order to create opportunities for the sustained security of American national interests, as well as the global benefit for all.

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<sup>21</sup> Robert Kagan, "Not Fade Away: The Myth of American Decline," *The New Republic*, 11 January 2012, <http://www.tnr.com/article/politics/magazine/99521/america-world-power-declinism?page=0,1> (accessed 22 May 2012).

## **Chapter 1**

### **Brazil Explored**

*We seek not just neighbors, but strong partners. We seek not just progress, but shared prosperity. With persistence and courage, we shaped the last century into an American century. With leadership and commitment, this can be the century of the Americas...Should I become President, I will look south, not as an afterthought, but as a fundamental commitment to my presidency.*

*Gov George W. Bush*

The United States-Brazilian bilateral relationship has a long history, characterized by some moments of remarkable convergence of interests, but also by sporadic and critical divergences on sensitive international issues. President Barack Obama recently said that US policy toward Brazil is based on engagement and “mutual interest and mutual respect,” predicated on the belief that a strong relationship with Brazil promotes the mutual interests of the two nations.<sup>1</sup> However, the relationship between the US and Brazil has not always matched this rhetoric. Historically, the two nations have experienced distance with shallow collaboration in a relationship that has been prone to misunderstanding.

This chapter will specifically address the historical ties between the United States and Brazil, as well as Brazil’s contemporary governance, economic growth, and regional integration efforts. The author contends that Brazil matters not just regionally, but globally, and is an actor that will profoundly shape the twenty-first century. Further this paper recommends that the United States deepen its partnership with Brazil through expanded governmental and economic ties.

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<sup>1</sup> The White House Office of the Press Secretary, “Remarks by President Obama and President Rousseff of Brazil in Brasilia, Brazil,” 19 March 2011, <http://www.whitehouse.gov/the-press-office/2011/03/19/remarks-president-obama-and-president-rousseff-brazil-brasilia-brazil> (accessed 15 May 2012).

## Historical Ties

The relationship between the United States and Brazil has ebbed and flowed based on world events and regional concerns. Since Brazil's independence from Portugal in 1822, the United States and Brazil have enjoyed a moderately close relationship. The United States was the first country to recognize Brazil's nascent independence, and in 1889, following the monarchy of Dom Pedro II, Brazil looked to the United States as an inspiration, drawing upon the provisions of the US Constitution when drafting its own Brazilian Republic Constitution.<sup>2</sup>

During the mid-1900s, the United States attempted to take Brazil under its wing and improve relations with the nation. President Franklin Roosevelt created the Good Neighbor Policy and hoped it would draw the two nations closer to one another.<sup>3</sup> Unfortunately, with the war in Europe looming dangerously close, US national security took precedence over relations with Brazil. President Roosevelt's Good Neighbor Policy only had eight short years to take effect before Germany declared war on the United States and Britain. Brazil used this opportunity to side with the United States, and to support America throughout the war, allowing the relationship to continue to grow, albeit under different circumstances.<sup>4</sup>

Following World War II, the United States once again faced a larger threat. The geopolitical exigencies of the Cold War led the United States to focus its efforts primarily on Europe and Asia rather than on Latin

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<sup>2</sup> The monarchy was the last remaining remnant of the Portuguese crown in Brazil. Following this, Brazil found it needed to look elsewhere to find inspiration, as Europe was now not suitable to fulfill this need. The Brazilian Senator Prudente de Moraes, President of the 1891 Constituent Assembly, stated that the Brazilian Constitution "was to correspond in South America to its model in North America," referencing the US Constitution. Lt Col Douglas Bassoli, "Developing a Partnership with Brazil – An Emerging Power," (US Army War College, Carlisle Barracks, 2004), 1.

<sup>3</sup> Joseph Smith, *Brazil and the United States: Convergence and Divergence* (New York: University of Georgia Press, 2010), 104.

<sup>4</sup> Stanley E. Hilton, "The United States, Brazil, and the Cold War, 1945-1960: End of the Special Relationship," *The Journal of American History*, 1 December 1981, 600. <http://www.jstor.org/stable/1901941> (accessed 12 May 2012).

America. Unfortunately, during this period, Brazil began to feel as if it was merely another tool used by the United States when it suited America's interests. Brazil's foreign policy shift away from inter-dependence towards independence from the United States reflects Brazil's perceptions that Washington was not interested in a special relationship with Brazil.<sup>5</sup>

As the Cold War ended, great expectations in Brazil over the future of the hemisphere's integration resurfaced. Richard Feinberg in 1997 opined on a PBS Newshour special that President William Clinton had two goals he must address on an upcoming South American trip. The first was to convince his Latin American audience that the United States was serious about implementing a consensus hemispheric agenda. The second was to get the US to see the Latin Americans as worthy partners in the progress of this new world.<sup>6</sup> This theme of improved bilateral relations persisted through the 2000 presidential campaign, as then Governor George W. Bush was quoted in the *Boston Globe* stressing the importance of Latin America, and in particular Brazil.<sup>7</sup>

Then the tragic events of 11 September 2001 occurred, and it was apparent the pace of negotiations did not achieve results, as the United States' focus once again shifted away from South America. As the United States enters the post-Iraq and Afghanistan war phase, optimists for a resurgent US-Brazil relationship appear to be on the way to being frustrated once again. As in the past, there is still a significant convergence between the two countries on important national issues.<sup>8</sup>

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<sup>5</sup> Hilton, "The United States, Brazil, and the Cold War," 624.

<sup>6</sup> The Consensus hemispheric agenda referenced included items such as free trade, as well as democracy, energy, open economies, anti-corruption, and anti-narcotics. PBS News Hour transcript 13 October 1997.

[http://www.pbs.org/newshour/bb/latin\\_america/july-dec97/mission\\_10-13.html](http://www.pbs.org/newshour/bb/latin_america/july-dec97/mission_10-13.html) (accessed 19 May 2012).

<sup>7</sup> Glen Johnson, "Bush Stresses Latin America as US Priority, Pushing 'Special Relationship' with Mexico," *The Boston Globe*, 26 August 2000, A1.

<sup>8</sup> Issues such as economic prosperity, political order, and hemispheric security. Smith, *Brazil and the United States*, 4.

Now is the time for the United States to get serious on the common issues in the political agendas of both countries and support broader cooperation. The influence of the United States and its intervention and coercive diplomacy in South America over the years created Brazil's identity-related constraints and shaped regional norms, affecting how Brazil performs the three regional power roles defined by Frazier and Stewart-Ingersoll: regional protector, regional custodian, and regional leader.<sup>9</sup>

### **Protector**

The primary external threat perceived by many in South America is intervention and coercive diplomacy by the United States. Brazil's challenge in the South American region is to find a way to engage in regional protection, custodianship, and leadership without being seen as simply replacing the United States as the regional hegemon. Although Brazil attempted to diminish the influence of the United States by creating regional institutions, and challenging the creation of American-sponsored institutions, Brazil has not been able to reduce American influence in the region.<sup>10</sup>

The United States is undermining South American integration efforts in the region. The primary example of the United States challenging the regional institutions of South America is the development of the Free Trade Agreement of the Americas (FTAA). Led by Brazil, the South American Common Market (MERCOSUL) and the United States have diametrically opposing views on what the agreement should cover. Brazil wants the agreement to deal mostly with market access, refusing to yield to the other issues the United States wants included.<sup>11</sup> The

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<sup>9</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 11. The order in which these roles are discussed is based on regional context, and thus the order may change in subsequent chapters.

<sup>10</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 141.

<sup>11</sup> The United States prefers an agreement that includes negotiating investment, services, intellectual property rights, and government procurement. While Brazil wants



FTAA, if implemented, could alter the balance of power in the region, to the detriment of Brazil's regional status. Although an FTAA could provide commercial gains to Brazil, it would likely come at a cost to foreign policy concerns.<sup>12</sup>

Brazil is also still fighting American military influence in the region, most notably in Colombia. Brazil has failed to prevent the United States from intervening in Colombia's drug war and guerilla insurgency. The convergence of the drugs and an insurgency has exacerbated deeper problems that could be creating the conditions for a failed state.<sup>13</sup> The prevalent military presence indicates Brazil's failure to protect the region from external threats and its failure regarding custodianship as well. Although Brazil historically tends to custodianship through multilateral institutions, this is an area where a directed focus may be warranted. The American presence in Colombia does not appear to be diminishing. Currently there are about 250 US military personnel in Colombia, with potential plans to double that number. Venezuelan President Hugo Chavez, along with others in the region, has criticized America's response in Colombia, stating it is merely a precursor to future military events, and a way to keep a forward presence in South America.<sup>14</sup>

Brazil's inability to limit America's influence in its own region is an indication that it is not performing the role of regional protector exceedingly well. However, dealing with external influences is just one

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America to address agricultural subsidies and free trade of agricultural goods. Jorge T. Almeida, *Brazil in Focus: Economic, Political and Social Issues* (New York: Nova Science Pub Inc, 2008), 110-112.

<sup>12</sup> Steve Schifferes, "Free Trade Deal in the Balance," *BBC News*, 1 November 2002, <http://news.bbc.co.uk/2/hi/business/2380667.stm> (accessed 17 May 2012).

<sup>13</sup> Characterized by a severe political crisis in which the institutions of the central government, a failed state is so weak that they can no longer maintain authority or political order beyond the major cities and sometimes not even there. Angel Rabasa and Peter Chalk, *Colombian Labyrinth: the Synergy of Drugs and Insurgency and its Implications for Regional Stability* (Santa Monica, CA: Rand Publishing, 2001), 1.

<sup>14</sup> Simon Romero, "Increased US Military Presence in Colombia Could Pose Problems with Neighbors," *New York Times*, 22 July 2009, <http://www.nytimes.com/2009/07/23/world/americas/23colombia.html> (accessed 2 May 2012).

aspect of protection; there is also the role of intermediary for the region, and, in that regard, Brazil is flourishing. Brazil is viewed by most in the region, and the world, as an honest broker, and a champion for the less developed states that supports preservation of the existing world order.<sup>15</sup> As such, Brazil is in a unique position to engage with both regional and global actors over important issues.

Active involvement in multilateral institutions has been a constant for Brazilian foreign policy since the end of the 19th century.<sup>16</sup> Although Brazil seeks to maintain its independent voice in the international community, it has also demonstrated the desire to expand the roles it plays and responsibilities it assumes regionally, as well as globally. Brazil's preference toward multilateralism dates back to post-World War I discussions in the League of Nations. It was here that Brazil presented itself as a mediator between the great powers and those smaller nations of the world and thus created Brazil's precedent of mediator status. Brazil was also one of the founding members of the United Nations and the General Agreement on Tariffs and Trade, as well as one of the 56 nations represented in the International Trade Organization.<sup>17</sup> However, Brazil's recent involvement with MERCOSUL and the Group of Twenty (G20) coalition stand out as the most notable for influencing contemporary global dynamics.

The overall strategy of MERCOSUL is to build a more attractive partner for future trade negotiations, as well as to gather leverage to achieve negotiations under better conditions.<sup>18</sup> Some viewed the implementation of MERCOSUL by Argentina and Brazil as a natural

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<sup>15</sup> Stephanie Hanson, "Brazil on the International Stage," *Council on Foreign Relations*, 21 July 2009, <http://www.cfr.org/brazil/brazil-international-stage/p19883> (accessed 17 May 2012).

<sup>16</sup> Smith, *Brazil and the United States*, 126.

<sup>17</sup> Maria Regina Soares de Lima and Monica Hirst, "Brazil as an Intermediate State and Regional Power: Action, Choice and Responsibilities," *International Affairs* 82, (1) (2006): 25-26.

<sup>18</sup> Joanna Klonsky and Stephanie Hanson, *Mercosur: South America's Fractious Trade Bloc*, (New York: Council on Foreign Relations, 2009), 1.



result of the ever-evolving American policies in South America. The population of MERCOSUL's full members has a collective gross domestic product (GDP) of \$2.4 trillion and is now the world's fourth largest trading bloc after the European Union, North American Free Trade Agreement, and the Association of South East Asian Nations.<sup>19</sup>

The formation of the G20 finance ministers and central bank governors' coalition during the Cancun Ministerial Conference in 2003 gave indications of a new balance of power among the members of the World Trade Organization.<sup>20</sup> This new coalition represented a revival of the Third World coalition spirit, specifically focused on agricultural interests of the developing countries. Once again, Brazil seized on the opportunity to renew its role as an intermediary between the strongest global powers and weaker states. Brazil's position as a strong agricultural exporter, as well as its emphasis on following procedural issues, established Brazil as the natural "demandeur" in agricultural issues.<sup>21</sup> The relative strength of these emerging economies has shifted the center of financial agreements from the established G8 to the G20; as a result, Brazil has a permanent seat in all macroeconomic discussions.<sup>22</sup>

Brazil's self image as a mediator or intermediary between weak and strong nations and its preferred use of multilateral institutions create viable means of achieving a more influential role globally. Brazil's efforts as the United Nations (UN) lead for the 2004 peacekeeping mission in Haiti, as well as its contribution of police forces to East Timor in support of UN peace operations in 1999, set the stage for further participation in the UN Security Council. Since 1994, Brazil has aspired to occupy a

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<sup>19</sup> Klonsky and Hanson, *Mercosur*, 2.

<sup>20</sup> Group of Twenty, "Origins and Evolution of the G20," <http://www.g20.org/en/g20/the-origins-and-evolution-of-the-g20> (accessed 19 May 2012).

<sup>21</sup> Soares de Lima and Hirst, "Brazil as an Intermediate State and Regional Power," 27.

<sup>22</sup> Shannon O'Neil, "Brazil as an Emerging power: The View from the United States," *South African Institute of International Affairs* February 2010, 3.

permanent seat on the Security Council. According to Foreign Minister Celso Amorim, expansion of the Council is justified as the global institutions adapt to the new post-Cold War realities.<sup>23</sup>

### **Custodianship**

While Brazil has yet to embrace its role as regional protector, it seems to do fairly well as regional custodian. Brazil has found itself leading efforts to alter the perception of regional security through a *realpolitik* lens to a more Kantian one that links together the relationship of democracy, economy, and security.<sup>24</sup> In practice, this is evident as Brazil's custodianship mostly takes place through regional, multilateral institutions such as MERCOSUL and the Union of South American Nations (UNASUR) versus using methods that are more direct. Brazil's custodianship role can be viewed by assessing Brazil's behavior in two areas, the maintenance of democratic regimes and its resolution of regional conflict.

Brazil's fears of being branded with hegemonic ambitions may limit its abilities to manage the region's security issues. Brazil is concerned about being perceived as another United States, intervening in other nations' sovereign affairs, and this sentiment drives Brazil to use organizations as its primary means to achieve effects. Brazil tends to use regional institutions versus those alternatives with US membership in order to distance itself from looking like it is cooperating with the United States.<sup>25</sup>

Brazil's desire to maintain regional democratic regimes has been fraught with challenges in the last two decades. MERCOSUL is Brazil's

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<sup>23</sup> Soares de Lima and Hirst, "Brazil as an Intermediate State and Regional Power," 29.

<sup>24</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 111. Kant's theory was that a stable peace among states would be achieved when three conditions were met: representative republican government, social and economic interdependence, and a respect for human rights. Michael W. Doyle, *Ways of War and Peace: Realism, Liberalism, and Socialism* (New York: W. W. Norton & Company, 1997), 286-287.

<sup>25</sup> Sean W. Burges, *Brazilian Foreign Policy after the Cold War*, (Gainesville, FL: University of Florida Press, 2009), 133-34.

preferred method of thwarting democratic crises. In 1996, MERCOSUL parties warned Paraguay that it would be suspended from MERCOSUL and subject to a total embargo of Paraguay's imports and exports by MERCOSUL states unless democratic governance was restored.<sup>26</sup> More recently, during the crisis in Ecuador in 2010, Brazil remained consistent, quickly gathering UNASUR members to issue a condemnation with threats of isolation.<sup>27</sup> Brazil's use of regional institutions to quell regional democratic crises seems to be sufficient; however it falls short when the nation tries to address transnational issues such as drug trafficking with those same institutions.

Following the violent conflict between Ecuador and Peru in 1995, Brazil identified a comprehensive approach to defuse South American regional conflicts. The Initiative for the Integration of Regional Infrastructure in South America (IIRSA), proposed and agreed upon in 2000, provides the framework for an infrastructure between states to further regional integration.<sup>28</sup> However, the new IIRSA is also inadequate when dealing with transnational issues, in particular the tri-border region. Governmental failures in Colombia, Brazil, and Venezuela have led to many cross-border incursions and heightened tensions among them. The failure of Brazil to sponsor a regional institution that can directly address regional stabilization, as well as transnational problems, demonstrates its inability to manage the full spectrum of security issues

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<sup>26</sup> Christine Breining-Kaufmann, Frederick M. Abbott, and Thomas Cottier, *International Trade and Human Rights: Foundations and Conceptual Issues* (New York: University of Michigan Press, 2006), 337-338.

<sup>27</sup> During the 2010 Ecuadorian crisis an apparent uprising led by police in response to budget reductions ordered by President Correa led to a rescue operation which left five men shot dead, the crisis posed a threat to the democratic order of the country. Simon Romero, "Debate Over Meaning of Standoff in Ecuador," *New York Times*, 3 October 2010,

[http://www.nytimes.com/2010/10/04/world/americas/04ecuador.html?\\_r=2&ref=americas](http://www.nytimes.com/2010/10/04/world/americas/04ecuador.html?_r=2&ref=americas) (accessed 19 May 2012). Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 112.

<sup>28</sup> The IIRSA seeks to promote projects in the transportation, energy, and telecommunications sectors. Pia Riggirozzi and Diana Tussie, *The Rise of Post-Hegemonic Regionalism: the Case of Latin America* (New York: Springer, 2012), 65.

facing the region. Thus, Brazil is moderately effective as a regional custodian, and it is likely that Brazil will continue to work with regional and multilateral organizations to pursue regional stability and maintain a global presence.

### **Leadership**

Brazil's demonstrated leadership actions throughout the region demonstrate an effective effort to fulfill the region's leadership role. Leadership combines one's relative material capabilities with the recognition by its neighbors of a special status. A self-perception of leadership does not make it so; the neighbors must view it as such also. Despite rampant fears of its hegemonic desires, Brazil has created an environment that has dispelled such concerns.

Brazilian leadership transitioned from military rule in the 1980s. Prior to this transition, Brazilian relations with other states in the region were "driven more on a resource base (economically and militarily) than a genuine acceptant posture toward its policy preferences by others in the region."<sup>29</sup> As a result, most states in the region were undecided about Brazilian leadership, while others were opposed, anticipating a possible run toward regional hegemony by Brazil.

Most markedly opposed to Brazilian leadership were Venezuela and Argentina. In the 1970s, Venezuela tried to recruit the Northern Tier countries into a cooperative effort to limit Brazilian influence.<sup>30</sup> Remnants of the Andean region power struggle still exist in the 21st century. President Hugo Chavez leverages fears of a possible Brazilian hegemony to promote the Bolivarian Alliance of the People of our America.<sup>31</sup> Venezuela sees itself as an alternative for other countries

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<sup>29</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 85.

<sup>30</sup> David J. Myers, *Regional Hegemons: Threat Perception and Strategic Response* (New York, NY: Westview Pr, 1991), 248-251.

<sup>31</sup> Marcos Restrepo, "Rubio Calls for Greater American Involvement in Latin America," *The Florida Independent*, 26 April 2012, <http://floridaindependent.com/75651/marco-rubio-foreign-policy-latin-america>, (accessed 19 May 2012).

that desperately need resources in lieu of Brazil. However, Brazil countered (successfully, it appears) with the development of a determined strategy of leadership through MERCOSUL and other regional institutions.<sup>32</sup>

A key aspect of Brazil's engagement through MERCOSUL, is cooperation with long-time rival Argentina. Prior to Brazil's transition to democratic rule, Argentina was another challenger to Brazilian leadership in the region.<sup>33</sup> Since the transition, the two nations seem to favor bilateral cooperation, yet another reason for Brazil to support regional democratic rule. MERCOSUL is a leadership success for Brazil. It provides the link between economics and security, provides the region with a tool that can strengthen democratization (as seen in Brazil's custodianship role), and allows the region a means to transition from an American-centric focus to one of regional integration.

Former Brazilian presidents Fernando Cardoso and Luiz Lula da Silva ("Lula") presided over 16 years of democratic consolidation and sound economic policy. Lula's administration involved both "closer links between domestic party politics, and a much greater effort on the part of Brazil to pull strings and influence domestic political outcomes within South American countries."<sup>34</sup> It was also under Lula's rule that Brazil promoted UNASUR, which further integrated the South American region and provided Brazil another tool with which to accomplish its goals while avoiding unilateral intervention.

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<sup>32</sup> Brazil countered the attempted Venezuelan balancing of power with the Amazon Pact of 1977. Unfortunately, for Brazil, its Andean neighbors did not believe Brazil was capable to make such a pact a reality. Thus, Brazil and Venezuela spent much of the 1970s competing for a leadership role within the Andean region, while neither was ever truly the regional leader. Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 85-86.

<sup>33</sup> Argentina also transitioned to democratic rule during the same period as Brazil following nearly eight years of military rule. Facts on File, "Argentina Holds Elections...Radical Civic Union Gains Victory," *Facts On File World News Digest*, 4 Nov. 1983, <http://www.2facts.com/article/1983035070> (accessed 19 May 2012).

<sup>34</sup> Soares de Lima and Hirst, "Brazil as an Intermediate State and Regional Power," 30.

The recent election of President Dilma Rousseff did not shake the nation's economic market, signaling confidence in Brazil's stability.<sup>35</sup> Rousseff now stands as one of the most influential women in the world. With this influence, Rousseff is poised to emphasize South American integration, "improving relations with the United States, and strengthening Brazil's influence in the restructuring of multilateral institutions."<sup>36</sup>

Brazil's democratic government's sound economic policies stabilized its currency, strengthened its banking system, and built up dollar reserves. These policies helped Brazil survive the global economic recession of 2008, as it emerged relatively unscathed in 2009.<sup>37</sup>

### **Economic Growth**

Brazil's economic growth is the crucible for its domestic success and much of its international agenda. "Brazil's steadily growing economy propelled the South American giant into the global consciousness, initially among investors eyeing an emerging market."<sup>38</sup> Evident in Figure 1, Brazil's economy outweighs those of all other South American countries and is characterized by large and well-developed primary and secondary economic sectors.<sup>39</sup>

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<sup>35</sup> "The Handover: Lula gave Brazil continuity and stability. Now he needs to give his successor independence," *The Economist*, 30 September 2010, <http://www.economist.com/node/17147658> (accessed 1 May 2012).

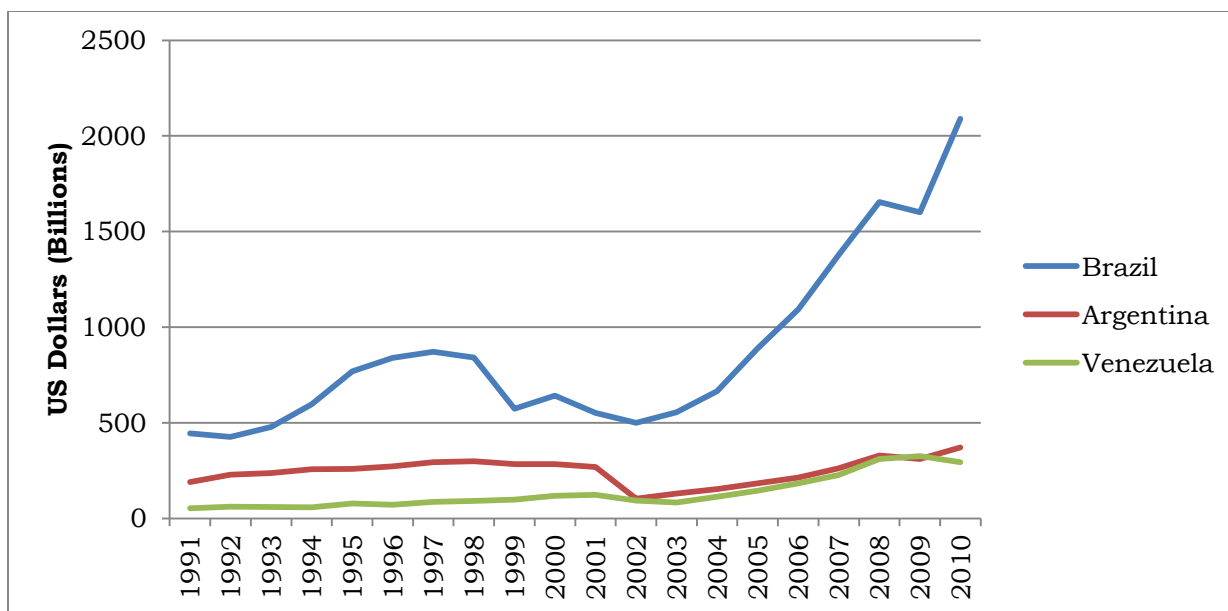
<sup>36</sup> Council on Foreign Relations (CFR), *Independent Task Force Report No. 66* (New York: Council on Foreign Relations, 2011), 9.

<sup>37</sup> "Emerging Markets and Recession: Counting Their Blessings," *The Economist*, 30 December 2009, <http://www.economist.com/node/15172941> (accessed 19 May 2012).

<sup>38</sup> CFR, *Independent Task Force Report*, 13.

<sup>39</sup> The primary economic sector includes the packaging and processing of raw materials while the secondary economic sector manufactures finished goods.





**Figure 1: South America Gross Domestic Product, Current Prices**

*Source: International Monetary Fund – 2011 World Economic Outlook*

In 2010, President Rousseff entered office as consumer and investor confidence were revived, and Brazilian GDP growth reached 7.5%, the highest in the past 25 years.<sup>40</sup> Forecast to continue with a 4.5% expansion in 2011, Brazil did not live up to expectations. Rising inflation that led authorities to take measures that cooled the economy, coupled with the deteriorating global economic situation, slowed growth to 2.7% for 2011. Although, Brazil did not meet the 2011 expectations, it still managed to overcome the United Kingdom as the world's seventh largest economy in terms of GDP. Along with historic GDP growth, Brazil's unemployment rate is at a historic low of 4.7%, and real wages have increased sharply.<sup>41</sup> Thus, Brazil's rapidly growing economy shows optimistic long-term prospects. However, the economic story is not without concerns.

<sup>40</sup> CIA World Fact Book, Brazil national information, <https://www.cia.gov/library/publications/the-world-factbook/geos/br.html> (accessed 18 May 2012).

<sup>41</sup> CIA World Fact Book, Brazil national information.

The Brazilian government must remain alert, and deal with the large capital inflows from the past several years and a rapidly appreciating currency. President Rousseff has thus far pursued a round of budget cuts, raised interest rates, and taken steps to regulate consumer credit, although greater attention may be warranted.<sup>42</sup> Given the importance of Brazil's economy globally, it is in the interests of the United States to work with Brazil to find solutions and avoid problems that may cause a significant contagion regionally, but more importantly, globally.

### **Primary Economic Sector**

Remiss observers often misunderstand the immense size and diverse territory of Brazil. Brazil is the fifth largest country in the world in terms of both size and population, with more than 190 million people and about 8.5 million square kilometers (slightly smaller than the United States). Exports of raw materials drive the Brazilian economy. Brazil is the world's largest producer of cane sugar and coffee and is the second-largest producer of soybeans. Income from the jobs generated by this agricultural opportunity will allow the middle class to continue to expand and likely lift Brazil's economy from the world's eighth-largest to the fifth-largest by 2016.<sup>43</sup>

Innovations have made Brazilian agriculture more efficient and have expanded the region of arable land. A report by the US Department of Agriculture in *The New Republic* claimed that Brazilian farming potential had been "grossly underestimated" and further stated Brazil

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<sup>42</sup> CIA World Fact Book, Brazil national information. CFR, *Independent Task Force Report*, 15.

<sup>43</sup> Pepe Escobar, "A History of the World, BRIC by BRIC," *The Huffington Post*, 26 April 2012, [http://www.huffingtonpost.com/pepe-escobar/a-history-of-the-world-br\\_b\\_1455976.html](http://www.huffingtonpost.com/pepe-escobar/a-history-of-the-world-br_b_1455976.html) (accessed 1 May 2012).



can easily become “the agricultural powerhouse of this century” due to its potential for future expansion.<sup>44</sup>

Mineral extraction is another source of great economic growth for Brazil. As the government addresses the country’s deteriorating and non-existent infrastructure, this extraction will be instrumental. According to *The Economist*, Brazil produces and exports significant amounts of copper, iron ore, nickel, and steel and is the world’s third-largest producer of bauxite.<sup>45</sup> Brazil’s mineral assets make it a valuable trading partner for the international community. Additionally, Brazil can use these commodities to improve upon its current infrastructure.

The rapid pace of growth within Brazil, coupled with its international obligations as host of the 2014 World Cup and 2016 Olympic Games, require Brazil to make massive investments across the spectrum of basic infrastructure. “Some 25 million families live in inadequate housing without consistent access to clean water, sewage disposal, and garbage collection.”<sup>46</sup> Currently Brazil’s road and railway system, its seaports, and its airports are all in dire need of revitalization. President Rousseff drafted a \$317 billion Program to Accelerate Growth, which seeks to address these infrastructure shortcomings. However, politicization of these major projects, and the lack of suitable funding beyond the state-owned development bank, slows the initiatives down.<sup>47</sup> Brazil has a unique opportunity to shine on the world stage in the next

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<sup>44</sup> Geoff Dyer, “Rondonopolis Dispatch – Role Reversal,” *The New Republic*, 10 November 2003, <http://www.tnr.com/article/role-reversal> (accessed 19 May 2012). Current pastureland covers nearly 25% of the country, and 150 million acres remain uncultivated. Even with the large amount of agricultural exports, agriculture still only comprises nearly 6% of Brazil’s GDP. CIA World Fact Book, Brazil national information.

<sup>45</sup> “Pocket World in Figures: 2012 edition,” *The Economist*, 2011, 52-53.

<sup>46</sup> CFR, *Independent Task Force Report*, 22.

<sup>47</sup> The Brazilian economy is market based, though significant state involvement in shaping industrial policy remains. Brazil’s largest firms, and powerhouse companies benefit from subsidized credit from the state-owned bank. Brazilians appear to accept and expect that the government will play a significant role as an investor, provider of social goods, and driver of growth. Rebecca Bloom and Stephanie Hanson, *Brazil Voters Chart Steady Course*, (New York: Council on Foreign Relations, 2006), 1. CFR, *Independent Task Force Report* (New York: Council on Foreign Relations, 2011), 9, 23.

decade. It must leverage these global events and embrace the opportunity to improve its infrastructure not just for the world to see, but also to accommodate its ever-increasing population.

## **Energy**

Brazil's energy profile has established it as a major international actor. Brazil has as many as 50 billion barrels of oil beneath its waters, exported 57,000 barrels per day of cane-based ethanol in 2009, uses hydroelectric dams to supply up to 75% of the nation's electricity, and has the world's sixth-largest proven uranium reserves. The economic potential is astronomical, as Brazil becomes a significant exporter of its various energy products, to include oil, biofuels, and various sources of electricity. Energy provides Brazil with its most substantial platform for international influence.<sup>48</sup>

A looming oil boom off the coast of Rio de Janeiro should place Brazil among the world's top 10 energy producers in this decade.<sup>49</sup> The 2006 discovery of the Tupi pre-salt formations opened a new frontier for Brazilian oil corporations.<sup>50</sup> These reserves could hold as many as 50 to 80 billion barrels of recoverable hydrocarbons, six times Brazil's current reserves. Optimistic predictions estimate this pre-salt oil may be flowing in large volumes in the next five to seven years and have the potential to place Brazil in the world's top ten of oil reserve holders.<sup>51</sup>

The oil sector of Brazil was strong prior to the pre-salt finds as well. In 1997, the state-owned oil company Petrobras was partially privatized, resulting in an era of rapid growth and exploration. By 2009, Brazil's oil production had doubled and transformed Brazil from an oil

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<sup>48</sup> CIA World Fact Book, Brazil national information.

<sup>49</sup> Matthew Hulbert, "Who Lost Latin America?," *Forbes*, 17 April 2012, <http://www.forbes.com/sites/matthewhulbert/2012/04/17/who-lost-latin-america/> (accessed 1 May 2012).

<sup>50</sup> Pre-salt oil is of good quality, although it is found in reserves that are in deep-sea areas and under thick layers of salt, requiring large-scale investment to extract it. Pre-Salt Oil and Gas News, Understanding the Pre-salt, <http://www.presalt.com> (accessed 19 May 2012).

<sup>51</sup> Hulbert, "Who Lost Latin America?."

importer to a net exporter. Petrobras made headlines in 2010 raising \$70 billion in the world's largest public share offering. Although privatization is occurring in Brazil's oil sector, Petrobras is still the major actor and remains under some governmental control.<sup>52</sup>

Sugar ethanol plays an important role in Brazil's energy sector, and has since the energy crisis of the 1970s.<sup>53</sup> Brazil and the United States are the most dominant countries in biofuel production. Combined, they contribute an 89% share to the world ethanol market. Brazil currently produces in excess of 433,000 barrels per day, of which 80% remains in Brazil to serve the domestic market. By 2020, officials estimate that 180,000 barrels a day will be exported globally. This massive surge in capacity is constrained by logistical concerns from a poor domestic infrastructure.<sup>54</sup>

One of Brazil's most impressive energy capabilities is how it uses renewable energy resources for much of its electricity demands. Hydropower accounts for 75% of Brazil's electricity. Brazil's massive source of water is unfortunately in the Amazon, which draws opposition from environmental groups and complicates the bureaucratic process for future hydro projects.<sup>55</sup> Brazil's water is also a precious resource, used in its increasingly important agriculture, and accounting for 12.5% of the

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<sup>52</sup> "Takeover Artists: A history of selected Latin American nationalizations," *The Wall Street Journal*, 17 April 2012, <http://online.wsj.com/article/SB10001424052702304299304577350222402989962.html> (accessed 1 May 2012).

<sup>53</sup> Brazil's biofuel industry was introduced when the military government introduced an ethanol program mandating a blend of sugar-cane ethanol into transportation fuel. By the late 1980s, more than one third of the country's vehicles were running on pure ethanol. Shannon O'Neil, "Brazil as an Emerging power: The View from the United States," *South African Institute of International Affairs*, February 2010, 2.

<sup>54</sup> CFR, *Independent Task Force Report*, 35-38.

<sup>55</sup> Julia Pyper, "Charting a course for Brazil's Rivers and Hydropower," *Scientific American*, 12 January 2012, <http://www.scientificamerican.com/article.cfm?id=charting-course-brazil-hydropower&page=3> (accessed 1 May 2012).

world's available fresh water.<sup>56</sup> Although Brazil appears to have massive quantities of water, an over reliance on hydropower could leave Brazil powerless if there are climatic shifts in rainfall.

Trying to diversify their energy options, Brazil is revitalizing its nuclear industry. Brazil has resumed construction of a third nuclear power plant, and is planning to build another four over the next 20 years. Brazil intends to use the energy for domestic consumption, but also wants to explore, exploit, and enrich uranium for export. The government may find it lacking in popular support for this initiative, in light of the devastating effects on Japan's reactors following the 2011 earthquake.<sup>57</sup>

### **Demographics**

Perhaps the largest part of Brazil's economic boom is its expanding middle class. While he was president, Lula created the *Bolsa Familia* and *Fome Zero* social welfare programs as a part of his anti-poverty initiative. These programs subsidized loans for housing and increased minimum wage in the nation. During Lula's first term, three million people escaped extreme poverty in Brazil. Between 2003 and 2009, Brazil's middle class grew by nearly 30 million people and now accounts for half of its total population.<sup>58</sup> However, a significant number of Brazilians still live in poverty, and Brazil does remain the 17th most unequal country in the world.<sup>59</sup>

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<sup>56</sup> Jose Pedro Martins, "Forest Laws Poses Threats," *Latin America Press*, 13 April 2012, <http://lapress.org/articles.asp?art=6604> (accessed 1 May 2012).

<sup>57</sup> "Brazil revives nuclear power plant," *CNN*, 31 July 2008, [http://articles.cnn.com/2008-07-31/world/brazil.nuclear\\_1\\_nuclear-power-reactor-electrical-power?\\_s=PM:WORLD](http://articles.cnn.com/2008-07-31/world/brazil.nuclear_1_nuclear-power-reactor-electrical-power?_s=PM:WORLD) (accessed 1 May 2012).

<sup>58</sup> Cinthya Lee, "Bolsa Familia: Brazil's attempt to alleviate poverty," *World Poverty and Human Rights Online*, 23 May 2011, <http://wphr.org/blog/2011/05/23/bolsa-familia-brazil%E2%80%99s-attempt-to-alleviate-poverty/> (accessed 1 May 2012).

<sup>59</sup> Brazil's gini coefficient has declined from a .61 in 2001 to a .51 in 2012. The lower the number, the more equal the distribution of family income is in a country. For comparison purposes, the United States' gini coefficient was .45 in 2007. CIA World Fact Book, Brazil national information.

The spending habits of the middle class have also changed, as it has grown in size and, more importantly, prosperity. The 2010 Brazilian census depicts this shift in spending habits: out of the Brazilian middle class, 69% own a home, 20% own a car, and 89% have mobile phones. The Brazilian people are also becoming more reliant on the internet and the connections it provides. Over 30% have broadband connections and Brazil ranks fourth and ninth globally regarding number of internet hosts and Facebook users.<sup>60</sup>

An expansion of credit has underpinned the rising Brazilian purchasing power, as the middle class expanded and began to shift its spending habits. Brazilian borrowers pay a relatively high interest rate, given their level of income. As these consumers take on more debt, Rousseff must keep in mind the risk of excess leverage and take steps to tighten up the Brazilian credit situation.<sup>61</sup>

### **Corruption**

Estimated to have lost 2% of its GDP to corruption in 2010, this issue remains a substantial challenge for the Brazilian government.<sup>62</sup> Brazil's 2011 corruption perceptions index was a 3.8, and 54% of people polled believe the government's efforts to fight corruption are ineffective. Compounding the problem, the institutions people perceive as corrupt are the political parties, parliament, and legislature, signaling a serious problem within the government itself.<sup>63</sup>

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<sup>60</sup> "Pocket World in Figures: 2012 edition," *The Economist*, 2011, 94-95.

<sup>61</sup> The expansion of credit has provided more purchasing power to the Brazilian people, but the high interest rate is likely to cause economic burdens later if Rousseff does not stop the increased rate of debt by her people with changes in monetary policies. CFR, *Independent Task Force Report*, 21

<sup>62</sup> Egil Fujikawa, "Everyday Corruption in Brazil," *The Brazil Business*, 19 September 2011, <http://thebrazilbusiness.com/article/everyday-corruption-in-brazil> (accessed 3 May 2012).

<sup>63</sup> The transparency index ranks countries based on how corrupt the public sector is believed to be. It draws on corruption-related data from independent and reputable institutions. The scale is from 0 (highly corrupt) to 10 (very clean). Transparency International, *Corruption by Country*, [http://www.transparency.org/country#BRA\\_PublicOpinion](http://www.transparency.org/country#BRA_PublicOpinion) (accessed 3 May 2012).

President Rousseff's goal is to reverse this trend of corruption, as she struggles with political infighting in her multi-party government. Corruption is the root of much of the recent upheaval, as four ministers have resigned or been fired, and several others have been accused of misusing public funds. Additionally, many high and mid-ranking ministry officials have been fired or arrested on corruption charges.<sup>64</sup> It seems Rousseff needs to get her own administration in order before she tries to implement anti-corruption reforms across the nation.

For Rousseff, the real problem is trying to change the culture of a people who do not see any harm in a little corruption here or there.<sup>65</sup> She must find a way to ease her brusque and direct style and convince the Brazilian politicians that the times of previous administrations' wooing and indulgence are over. It is uncomfortable new territory for all involved. Additionally, a number of anti-corruption groups have emerged on social networking sites and are rapidly expanding. Thus far the demonstrations have remained peaceful, with marches and protests at the extreme end of action.<sup>66</sup>

The pandemic of corruption affects Brazil's global economic competitiveness and its ability to attract foreign investments. Both the public and private sectors suffer under the shadow of corruption, preventing fairness and the customer from getting the best possible product or service. Corruption gets in the way and distorts the common market economy laws of supply and demand. Foreign companies may avoid Brazil, due to the common perception of unethical business practices. These same companies may try to shelter themselves from

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<sup>64</sup> Jan Rocha, "Brazil's President Rousseff grapples with corruption," *BBC News*, 1 September 2011, <http://www.bbc.co.uk/news/world-latin-america-14680394> (accessed 14 May 2012).

<sup>65</sup> Egil Fujikawa, "Everyday Corruption in Brazil," <http://thebrazilbusiness.com/article/everyday-corruption-in-brazil> (accessed 19 May 2012).

<sup>66</sup> "Brazilian Anti-corruption Outrage Stirs," *Asia One News*, 17 September 2011, <http://www.asiaone.com/News/AsiaOne+News/World/Story/A1Story20110917-299954.html> (accessed 19 May 2012).



corruption with anti-corruption policies, but self-enforcement may not be as robust. However, Brazil's desirable market may still be enough to lure companies despite the high corruption levels.

## **Trade**

The bilateral trade relationship between the United States and Brazil continues to remain strong, but does offer several opportunities for improvement. In 2005, the United States was Brazil's top purchaser of exports as well as the top exporter of goods into Brazil, both by over 10%.<sup>67</sup> However, 2011 statistics place China as its top economic purchaser of exports, topping the United States by 2.3%. And China is also quickly gaining as a major importer of goods into Brazil.<sup>68</sup> Some feel the appearance of China as Brazil's primary trading partner could signal deindustrialization in Brazil, as a majority of Chinese trades are raw materials such as soybeans and iron ore.<sup>69</sup>

The United States is trying to increase trading opportunities with Brazil, in order to become once again their number one trading partner. During his trip to Latin America, President Barack Obama was appealing to executives to work with governments to expand commerce, stating, "Governments can't do it alone, we need you—the private sector—to work with us."<sup>70</sup> The US Chamber of Commerce president added, "The US is focusing too much on the Asia-Pacific region at the expense of Latin America."<sup>71</sup> The World Trade Organization's upcoming Doha Round will be an opportunity for America to improve its trading stature with Brazil.

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<sup>67</sup> Daniel Workman, "Brazil's Trade Buddies," *International Trade Online*, 13 September 2006, <http://daniel-workman.suite101.com/brazil-s-trade-buddies-a6448> (accessed 19 May 2012).

<sup>68</sup> "Pocket World in Figures: 2012 edition," *The Economist*, 2011, 123.

<sup>69</sup> Adriana Brasileiro, "China Imports Threaten Brazil Industry as Bilateral Trade Grows," *Businessweek*, 30 March 2011, <http://www.businessweek.com/news/2011-03-30/china-imports-threaten-brazil-industry-as-bilateral-trade-grows.html> (accessed 18 May 2012).

<sup>70</sup> Jim Kuhnhehn, "Obama praises US-Latin America trade relationship," *The Associated Press*, 14 April 2012, <http://www.businessweek.com/ap/2012-04/D9U4KV980.htm> (accessed 19 May 2012).

<sup>71</sup> Kuhnhehn, "Obama praises US-Latin America trade relationship."

These trade negotiations aim to lower trade barriers and revise trade rules, in an effort to improve the trading prospects of developing countries.<sup>72</sup> The revised agricultural subsidies Brazil is fighting for are a part of the Doha round negotiations.<sup>73</sup>

### **Military Situation**

Brazil exhibits a clear preponderance of military strength in the region. It has been the largest spender on defense from 2001-2009, and only in 2011 have Colombia and Chile finally exceeded Brazil's investment in defense.<sup>74</sup> As depicted in Figure 2, Brazil spends roughly 2% of its GDP on military expenditures, twice the percentage of Colombia or Chile. However, in relative terms, at \$27.1 billion, Brazil's spending exceeds either country by nearly \$15 billion. While Brazil is not a nuclear weapon state, it has opted against attempting to obtain this capacity in an effort to promote a nuclear weapons free South America.<sup>75</sup> This is further testament to its leadership abilities in the region.

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<sup>72</sup> The World Trade Organization,

[http://www.wto.org/english/tratop\\_e/dda\\_e/dda\\_e.htm](http://www.wto.org/english/tratop_e/dda_e/dda_e.htm) (accessed 17 May 2012).

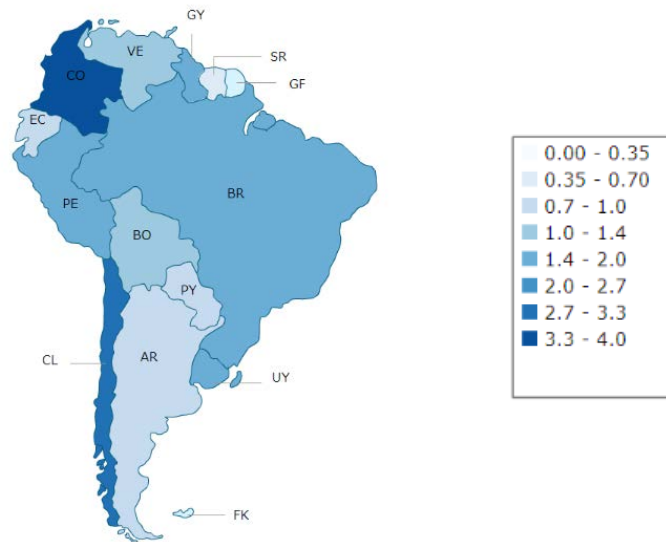
<sup>73</sup> Carter Dougherty, "Global Trade Talks Collapse Over Agricultural Subsidies," *New York Times*, 21 June 2007,

<http://www.nytimes.com/2007/06/21/business/worldbusiness/21iht-wto.4.6264066.html> (accessed 19 May 2012).

<sup>74</sup> CIA World Fact Book, Brazil national information.

<sup>75</sup> Cristina Fernandez deKirchner, "No Nuclear Weapons Pledge Latin Powers," *UPI Online*, 7 September 2011, [http://www.upi.com/Business\\_News/Security-Industry/2011/09/07/No-nuclear-weapons-pledge-Latin-powers/UPI-46941315427182/](http://www.upi.com/Business_News/Security-Industry/2011/09/07/No-nuclear-weapons-pledge-Latin-powers/UPI-46941315427182/) (accessed 19 May 2012).





**Figure 2: South America Military Spending - GDP percentage**

Source: *CIA World Fact Book*

Brazil's historical military rule, coupled with its fears of being perceived as a hegemon, constrain the nation from doing much more military growth. Many of the current Brazilian politicians, to include Rousseff, suffered during the military regime's rule from 1964-1985. This affects their decision-making calculus, as they determine force structure requirements, as well as which conflicts to participate in. In an attempt to quell hegemonic fears, Brazil has tended to avoid direct confrontation or regional intervention. Brazil's failure to act in some areas, such as the tri-border region, has inadvertently caused the United States to have to take care of South American business.<sup>76</sup> However, Brazilian leadership recently announced plans to launch an Amazon anti-crime operation, perhaps putting an end to its period of non-interventionist behavior.<sup>77</sup>

Recently, Brazilian leadership has shown signs of combating transnational crime to include drug trafficking and piracy. In 2011,

<sup>76</sup> CFR, *Independent Task Force Report*, 65.

<sup>77</sup> "Brazil launches Amazon anti-crime operation," *BBC News*, 3 May 2012, <http://www.bbc.co.uk/news/world-latin-america-17936433> (accessed 17 May 2012).

Brazil and Bolivia signed an agreement to tackle cocaine production and trafficking in the country. Although the agreement did not include Brazilian ground troops, it did include drone aircraft, as well as the training and equipping of Bolivian forces.<sup>78</sup> Most recently, Brazil launched an operation involving more than 8,500 troops along its northern border to tackle drug trafficking, illegal mining, and logging. This offensive operation included plans to bomb airstrips used by criminals and performing humanitarian operations for remote Amazonian villagers.<sup>79</sup> Brazilian leadership does not stop there, regarding future regional military operations. President Rousseff is supporting military initiatives to procure nuclear-powered submarines to defend the newly discovered pre-salt oil fields from foreign pirates.<sup>80</sup> Although these Brazilian military initiatives may make their neighbors apprehensive, Brazil is attempting to alleviate their fears by elevating these issues to the regional level, what Brazil does for one it does for all.

### **Analysis**

Relations between the United States and Brazil have gone through different phases, fluctuating between good and bad without ever becoming openly hostile. While the two nations appear to share common concerns in principle, priorities and policies are often not aligned, and worse yet, are at times in conflict. Brazil is already a regional power and is quickly emerging as a pivotal player on the global level. Its peaceful economic and social transformation has made it the foundation of South American growth and stability, as well as a significant power on the world stage. Brazil is not a conventional military power and does not rival India in population or economic size, and it cannot match the

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<sup>78</sup> "Brazil joins Bolivian anti-drug fight," *BBC News*, 30 March 2011, <http://www.bbc.co.uk/news/world-latin-america-12916154> (accessed 18 May 2012).

<sup>79</sup> "Brazil launches Amazon anti-crime operation," *BBC News*.

<sup>80</sup> Aditya Malhotra, "Brazil's Oil Future: The New (Big) Kid on the Block," *Journal of Energy Security* (April 2012): 1, [http://www.ensec.org/index.php?option=com\\_content&view=article&id=346:brazils-bright-oil-future&catid=123:content&Itemid=389](http://www.ensec.org/index.php?option=com_content&view=article&id=346:brazils-bright-oil-future&catid=123:content&Itemid=389) (accessed 16 May 2012).

geopolitical gravitas of trans-continental Russia. Understanding how Brazil defines and projects its interests is critical to understanding the character of the developing multipolar and unpredictable global world. It is in the best interests of the United States to understand and draft a strategy to assist this new Brazil, and to find ways to leverage its emerging growth and power.

While this analysis is not comprehensive in nature, it does cover some of the critical areas the United States should address regarding bilateral relations with Brazil. One of the primary strategic concerns for the United States, regarding South America, is the expansion of transnational issues beyond the confines of the region. Brazil is the regional power and, therefore, the nation expected to manage security issues. Unfortunately, Brazil's historic baggage prevents the leadership from taking a more proactive role regarding disputes within the sovereignty of other nations.<sup>81</sup> Understandably, Brazil does not want to intrude unilaterally in another nation's affairs. However, when those affairs begin to affect regional security, then it may be a good time for Brazil to develop alternative solutions to sitting by and claiming ignorance. The hegemonic fears of the South American region may be just the leverage required to develop a collective security alliance and force structure designed to provide a uniform defense mechanism to combat transnational issues.<sup>82</sup>

Now may be the time for Brazil to propose the idea of a collective security alliance to the MERCOSUL countries. The United States and other western nations should educate the South American nations on the opportunities of such an alliance, using the North Atlantic Treaty

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<sup>81</sup> The historical baggage referenced includes the nation's prior military rule, and the fear of the current administration of a strong military that could usurp their authority given the opportunity for a military coup.

<sup>82</sup> In an effort to reduce the fears of other nations over a possible Brazilian hegemony, Brazil can help create a collective security apparatus that allows each nation to have a say in the region's security issues.

Organization (NATO) as its model. Although NATO is not perfect, and the South American version may need to differ, depending on specific country capabilities, educating Brazil in particular could be just the push the nation needs to get the others onboard. In an effort to alleviate Brazil's fears that other nations see it as a hegemon, all members of the alliance can contribute forces and equipment to create its integrated military structure. Just as in NATO, the forces can remain under national command and control until needed by the alliance for a specific purpose. Subsequently, military force is once again an option for Brazil to manage the security problems in the region, but it would no longer be unilateral action, appeasing the hegemonic fears of its neighbors.

Another significant strategic concern for the United States is sustaining Brazil's economic growth and trying to ensure Brazil's access to the global market. Brazil is an economic powerhouse, but it could contribute even more to the global market, if there were some changes to bilateral trade agreements and additional agricultural partnerships with the United States. The future of the FTAA is in a state of flux. Many South American nations, led by Brazil, refuse to sign the agreement as proposed by the United States.<sup>83</sup> A possible alternative for the United States is to create a two-tier agreement, one in which some provisions are relegated from the main body of the agreement into chapters not subject to real enforcement or dispute-settlement mechanisms. Perhaps if the United States places the issues Brazil is most concerned with (to include the elimination of US agriculture subsidies and Brazilian further access to foreign markets) into a separate chapter it would appease all parties. Although Brazil most likely will not see this as a suitable end state, it may be enough to get the momentum rolling in the proper direction.

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<sup>83</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 88-89.

The Lisbon Treaty signed by the European Union member states is an example of a successful two-tier treaty. In this treaty, the distribution of competencies in various policy areas is divided into three categories. Most notably, environmental concerns and human rights fall outside of the exclusive competence category, the category that allows member states to make their own laws.<sup>84</sup> Subsequently, the Union may or may not establish directives regarding these and other topics. However, if the Union does, then member states may not establish contrary directives to those of the Union. A similar agreement could work for the United States and the other nations trying to partake in the FTAA. If current trends continue, Brazil's growth will outpace its neighbors and its leadership is going to expect to be listened to regarding issues involving South America. The United States can use the FTAA as an opportunity to listen to Brazil and create a more prosperous trade environment for all parties.

Another strategic option for partnership between the United States and Brazil is in agricultural modernization. The United States is a powerhouse in agricultural innovation, from the first John Deere tractors in the 1830s to the current use of satellite-guided farming equipment, it has led the world. Relaxed governmental barriers to intellectual property, as well as an improved partnership with Brazil, could result in a more prosperous Brazilian agricultural capability that would ultimately lead to global improvements. Technological innovation from the United States can help to harness Brazil's massive agricultural capability. Currently, vast acres of Brazilian land are uncultivated; improvements in seed development, and distribution and harvesting techniques could increase crop production, thereby decreasing food production and distribution. A strong Brazilian agricultural sector is vital to global food production, especially as the world's population expands at a rapid pace.

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<sup>84</sup> The Lisbon Treaty, General Overview, <http://www.lisbon-treaty.org/wcm/> (accessed 19 May 2012).

A significant barrier to Brazil's economic prosperity is its ubiquitous corruption. The government's failure to dissipate the amount of corruption could lead to higher levels of Brazilian civil unrest. The advent of social networking allows the Brazilian people to conduct free and rapid discussions on a wide range of topics, to include the nation's corruption problems. The people may be fed up not only with the government's failure to obliterate corruption in companies, but also with the administration's intimate entanglement with corruption. Increased levels of civil unrest in Brazil could therefore be a strategic problem for the United States. The global effects of an unstable Brazil are not something to which the United States wants to react, it is preferable to be proactive. Corruption is a large problem, especially when it is so deeply entwined in the culture and political environment of a nation. It appears Rousseff is trying to curb corruption, and some methods of how the United States can help her facilitate that require further consideration.<sup>85</sup>

The final option available to the United States regarding improved ties with Brazil as it grows in global importance is a stronger military partnership. Brazil has recognized its need to protect its offshore resources and is in the process of improving its navy. Brazil does not want to rely on the United States as its security provider. The United States must take this opportunity to educate the Brazilian military, particularly the Navy, on successful shoreline defense techniques. Brazil's military is going to grow, and it is in the strategic interests of the United States to ensure interoperability with the new force structure, making future coalition operations more successful. Providing military technology to Brazil, along with approved operation techniques is one way to foster this partnership. Increased high-fidelity military exercises

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<sup>85</sup> Specific alternatives for the United States to help Brazil combat corruption require further study, preferably by an economics specialist with some knowledge of second-order social ramifications.

between the two nations allow the United States to preserve situational awareness on the Brazilian state of forces and maintain a smooth communication flow. Strong communications between the nations could be paramount if a situation arises that requires US intervention or requires American freedom of action in that region.

Brazil is a regional power and its global influence is rapidly increasing. It is in the best interests of the United States to find ways to foster and facilitate this rising power. Although the spectrum of this chapter was not all-inclusive, it did highlight some of the strategic areas the United States can influence.<sup>86</sup> It would be a huge mistake if the United States were to ignore this rising power and allow other great powers to engage in those strategic arenas. China has already surpassed the United States as Brazil's primary trading partner; allowing China to influence even more of Brazil's future could be detrimental not just to vital American interests, but to global interests as well. A strong, healthy, prosperous Brazil is in the best interests of the world, and the United States can help shape that outcome.

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<sup>86</sup> Further areas of mutual interest include climate change and human rights concerns. Further study of each of these topics will suggest more avenues for mutual cooperation between these two nations.



## Chapter 2

### Russia Revealed

*If two great nations that for 40 years stood on the opposite sides of the 20th century's deepest divide can stand side-by-side facing the 21st century challenges, it will benefit not just the American people and the Russian people, but all people.*

*Vice President Joseph Biden*

Two decades following the collapse of the Soviet Union and Russia's emergence as an independent state, Moscow is no longer America's main strategic rival. Yet, while Russia is not our enemy, it has not become our friend either. Although the two states have succeeded in overcoming Cold War confrontation, the inability to break down deep-seated mutual distrust lingers. In 2008, President Obama decided upon a policy of resetting the American-Russian relationship in an effort to try to forge positive relations, in effect reversing the dangerous drift.<sup>1</sup> However, historic suspicion of one another's motives creates a large obstacle to cooperation especially when American actions do not match the rhetoric of its leadership.<sup>2</sup>

This chapter specifically addresses the historical ties between the United States and Russia, as well as Russia's regional integration efforts and economic growth. The author contends that Russia matters not just regionally, but globally. Russia's conduct can have a profound impact on America's vital national interests, specifically as a spoiler if America fails to work closely with Russia. Further, the author recommends that the

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<sup>1</sup> The White House Office of the Vice President, "Vice President Biden's Remarks at Moscow State University," <http://www.whitehouse.gov/the-press-office/2011/03/10/vice-president-bidens-remarks-moscow-state-university> (accessed 22 April 2012).

<sup>2</sup> The report cites that twice before, under Presidents William Clinton and George W. Bush, the US and Russia moved in the direction of a new and different relationship; yet both times efforts stalled. Graham Allison and Robert D. Blackwill, *Russia and US National Interests: Why Should Americans Care?*, Task Force on Russia and US National Interests Report (Washington, DC: Center for the National Interest, 2011), 3.

United States deepen its partnership through expanded governmental, military, and economic ties with Russia.

### **Historical Relevance**

Historically, Russia has endured vast fluctuations of influence on the global stage. Ironically, in the 1980s, at a time when some western scholars believed the US was in relative decline and the USSR was a rising hegemonic challenger, it was the USSR that was actually in decline.<sup>3</sup> During this period, the Soviet decline was evident in decaying economic growth and an increase in the military share of the USSR's gross national product as it sought to keep pace with the United States.<sup>4</sup> General Secretary Mikhail Gorbachev recognized the impending economic disaster. However, the administration's reforms, designed to reverse the economic erosion, proved inadequate, producing the collapse of the USSR.<sup>5</sup>

With the fall of the Soviet Union in 1991, the Russian Federation that survived the collapse lost a tremendous degree of relative power but maintained its commanding presence in the region. At the core of Russia's self-perception was the unique role it could play in the region, especially with many Russian-speaking people living in the former Soviet territories. Using Frazier and Stewart-Ingersoll's three prominent roles regional powers play to dissect Russian history following the collapse of

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<sup>3</sup> Robert Gilpin, *War and Change in World Politics* (New York: Cambridge University Press, 1983), 235, 238-242.

<sup>4</sup> Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York: Random House, 1987), 498.

<sup>5</sup> General Secretary Mikhail Gorbachev introduced glasnost (openness) and perestroika (restructuring) in an attempt to modernize Communism, but his initiatives inadvertently released forces that by December 1991 splintered the USSR into Russia and 14 other independent republics. S. Neil Macfarlane. "The 'R' in BRICs: is Russia an emerging power?," *International Affairs* 82, (1) (2006): 43. CIA World Fact Book, Russia national information, <https://www.cia.gov/library/publications/the-world-factbook/geos/rs.html> (accessed 23 April 2012).

the Soviet Union allows one to determine its national trends and anticipate future geopolitical interactions.<sup>6</sup>

### **Leadership**

In the wake of the collapse of the Soviet Union, Russia provided critical leadership while trying to maintain its hegemonic position within the region. In 1991, in an effort to address common regional security concerns, Russia led the way in creating the Commonwealth of Independent States (CIS).<sup>7</sup> Following the creation of the CIS, Russia promised to provide a nuclear umbrella and to guarantee territorial integrity for all members of the CIS Collective Security Treaty. Russia's dedication to regional security leadership continued as it advocated a joint CIS Rapid Deployment Force composed of integrated regional military structures.<sup>8</sup> Ultimately, Russia lacked a clear vision for how to best integrate the CIS, and some members created the informal Georgia, Uzbekistan, Ukraine, Azerbaijan, and Moldova alliance as a counterbalance to the Russian preferences in the region.<sup>9</sup>

During the period between 1993 and 1996, the Yeltsin Doctrine drove Russian policy. This doctrine was based on the idea that stability in the former Soviet bloc was best provided by Russia, which would take on the role of regional peacemaker. In this light, Russia displayed various acts of regional custodianship effectively and consistently. If the rights of Russians were violated, no matter where those Russians may live, it was a Russian state matter.<sup>10</sup>

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<sup>6</sup> Robert Stewart-Ingersoll and Derrick Frazier, *Regional Powers and Security Orders: a Theoretical Framework* (New York: Routledge, 2012), 11. The order in which these roles are discussed is based on regional context, and thus may vary depending on chapter content.

<sup>7</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 32.

<sup>8</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 82.

<sup>9</sup> Taras Kuzio, "Geopolitical Pluralism in the CIS: The Emergence of GUUAM," *European Security*, Vol 9, No2 (London: 2000), 110.  
[http://www.taraskuzio.net/International%20Relations\\_files/guuam\\_emergence.pdf](http://www.taraskuzio.net/International%20Relations_files/guuam_emergence.pdf) (accessed 19 May 2012).

<sup>10</sup> Russia's role as regional custodian is discussed in further detail in the following subsection. James F. Holcomb Jr and Michael M. Boll, "Russia's New Doctrine: Two

Confusion and an inability to act effectively as a regional leader marked Russia's experiences in the 1990s. In 2000 when President Vladimir Putin entered office, his agenda was clear: get Russia back on its feet. President Putin's emphasis on domestic weakness reeked of the priorities of previous Russian and Soviet governments during a time of domestic weakness. For example, policies implemented after Russia's defeat in the Crimean War in the 1850s and the New Economic Policy following the Russian civil war in 1922 placed a similar emphasis on internal reform and temporary abandonment of radical foreign policy.<sup>11</sup>

A significant topic on the Russian domestic agenda includes stability in Central Asia. China and Russia have translated this concern into joint regional institution building, through the Shanghai Cooperation Organization (SCO) development in 2001.<sup>12</sup> China was the lead player in this process. However, Russian leadership did play an instrumental role in its development, especially with the creation of the Regional Anti-Terrorist Structure as its focal point. This focal point is important when one recognizes that President Putin framed international terrorism and radical Islamism as the region's most severe threats prior to the atrocities of 11 September 2001.<sup>13</sup>

### **Custodianship**

Following the collapse of the Soviet Union, ethnically based violence broke out in many areas. During these crises, Russia provided direct and indirect management of security problems. Russian mediation efforts resulted in a ceasefire in 1994 between Armenia and Azerbaijan. This conflict had quickly escalated out of the ashes of the Cold War and provided Russia an opportunity to deliver stability in the

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Views," US Army War College Strategic Studies Institute, July 1994, <http://www.strategicstudiesinstitute.army.mil/pdf/PUB174.pdf> (accessed 19 May 2012).

<sup>11</sup> Macfarlane. "The 'R' in BRICs," 47.

<sup>12</sup> Macfarlane. "The 'R' in BRICs," 55.

<sup>13</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 83.

region. In addition, in Tajikistan where 20,000-40,000 people were killed during the crisis with Islamic rebels, Russia was instrumental in bringing about a negotiated settlement that ended the bloodshed and massive displaced personnel.<sup>14</sup>

Russia has also provided support for states that have fallen victim to terror activities in their borders. In 1999, Kyrgyzstan was in the middle of a fight against the Islamic Movement of Uzbekistan. Russia understood terror to be an act that can transcend the borders and quickly create a regional threat. Russia agreed to send weapons and equipment to support Kyrgyzstan, but made it clear that states in the region must play the primary role in combating terrorism within their own borders.<sup>15</sup> These intrastate conflict and terrorism examples display Russia's successful management as regional custodian. Additionally, the diminishing number of violent conflicts in the region may be a testament to the effectiveness of Russia as regional custodian.

### **Protector**

Russia is in the process of reestablishing itself as the center of the region, as well as reasserting its contention that it is a global power. In order to do this effectively, Russia must also play the role of regional protector, with an outward focus that anticipates external threats and issues pertinent to the region. The terrorist attacks on New York and Washington in September 2001 pushed Russia's strategic approach toward cooperation with the United States, as a necessity in "addressing the most significant international (and transnational) threats facing Russia – terrorism, and the proliferation of weapons of mass

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<sup>14</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 108-109.

<sup>15</sup> William D. O'Malley and Roger N. McDermott, "Kyrgyzstan's Security Tightrope: Balancing its Relations with Moscow and Washington," *Fort Leavenworth Online Documents*, 1 September 2003, [http://fmso.leavenworth.army.mil/documents/Kyrgystan/Kyrgystan.htm#\\_edn1](http://fmso.leavenworth.army.mil/documents/Kyrgystan/Kyrgystan.htm#_edn1) (accessed 21 April 2012).

destruction.”<sup>16</sup> Almost immediately, the Putin administration declared its solidarity with the United States. Russian rhetoric matched the reality as Russian intelligence forces cooperated closely with the Northern Alliance in Afghanistan.<sup>17</sup>

Russia’s decision to support the stationing of US troops in Uzbekistan, Tajikistan, and Kyrgyzstan in support of combat operations was not an easy one.<sup>18</sup> Putin’s administration inherited a policy of vociferous resistance to the West’s military penetration into its region. More than likely, Russia understood the United States was going to deploy with or without Russian support, so it chose to offer support and remain consistent with their internal terrorism agenda.<sup>19</sup> Additionally, Russia could leverage the support it provided to the West as a bargaining chip regarding Chechnya and integration into the world economy. It was successful in this regard; since 2001, the US government has not spoken out about Russian military operations in Chechnya. In addition, the United States recognized Russia’s status as a market economy in early 2002.<sup>20</sup>

This is not to suggest that partnership with the United States is the number one priority for Russia regarding major security issues. Russia was opposed to the use of force in Iraq in 2003, but once again, American resolve was clear. In this case, Russia chose to allow other nations to lead the Security Council resistance (most notably France and

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<sup>16</sup> Macfarlane. “The ‘R’ in BRICs,” 49.

<sup>17</sup> Colin McMahon, “Putin gambling that cooperation with US pays off,” *Chicago Tribune*, 1 November 2001, [http://articles.chicagotribune.com/2001-11-01/news/0111010254\\_1\\_bush-and-putin-russian-president-vladimir-putin-anti-ballistic-missile-treaty](http://articles.chicagotribune.com/2001-11-01/news/0111010254_1_bush-and-putin-russian-president-vladimir-putin-anti-ballistic-missile-treaty) (accessed 22 April 2012).

<sup>18</sup> Protests surrounding Moscow’s perceived selling out the country’s strategic heartland to the West. The Kremlin remains in a tricky position trying to explain how doing business with the Western alliance can be profitable for the country. Nikolaus von Twickel, “NATO Flight Plan Awakens Russians’ Ire,” *The Moscow Times*, 11 April 2012. <http://ebird.osd.mil/ebfiles/e20120411880983.html> (accessed 22 April 2012).

<sup>19</sup> Simon Shuster, “How the War on Terrorism did Russia a Favor,” *Time*, 19 September 2011, <http://www.time.com/time/world/article/0,8599,2093529,00.html> (accessed 20 May 2012).

<sup>20</sup> Macfarlane. “The ‘R’ in BRICs, 50-51.



Germany) in an effort to avoid second- and third-order effects from the Americans.<sup>21</sup> On the heels of Operation IRAQI FREEDOM and President George W. Bush's Freedom Doctrine came the *Color Revolutions*, which presented a scary situation to Russia, very close to home. The *Color Revolutions* are the revolutions that occurred from 2003-2005 in Georgia (rose), the Ukraine (orange), and Kyrgyzstan (pink). Russia was concerned and perceived that the United States may have facilitated these revolutions as a dress rehearsal for revolution in Russia itself. As many know, perceptions can become reality, and as such, Russia once again mistrusted the United States' cooperation rhetoric, pushing Russia to find other partners, ones that may be more trustworthy, while it still fulfilled its regional protection role.<sup>22</sup>

Viewed through the lens of the American penetration of Central Eurasia over the last ten years, the creation of the SCO certainly provides a venue for Russia and China to counterbalance US power in the region. However, the two states do not see eye to eye on all strategic issues, and the SCO could have fissures that the United States can leverage in the future.

It is also important to note that Russia continues to avoid direct confrontation with the United States. The SCO and other states in the region confronted the United States to remove US bases, and Uzbekistan demanded withdrawal from its base.<sup>23</sup> "Where Russian preferences directly collide with what the United States perceives to be its vital strategic interests, Russia accepts what it must rather than engaging in a doomed resistance."<sup>24</sup> However, when the preferences of the two states diverge on issues that Russia deems vital but which are peripheral from

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<sup>21</sup> Robyn Dixon, "Russia warns US on Iraq," *Los Angeles Times*, 15 February 2002, <http://articles.latimes.com/2002/feb/15/news/mn-28168> (accessed 22 April 2012).

<sup>22</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 139.

<sup>23</sup> "Uzbek Parliament Backs Government Decision to Evict US Troops," *USA Today*, 26 August 2005, [http://www.usatoday.com/news/world/2005-08-26-uzbekistan-us\\_x.htm](http://www.usatoday.com/news/world/2005-08-26-uzbekistan-us_x.htm) (accessed 20 May 2012).

<sup>24</sup> Macfarlane. "The 'R' in BRICs," 52-53.



the US perspective, Russia will go its own way. This pattern reflects a careful evaluation of America's tolerance, understanding where there may be some flexibility in action, and where there is very little room to maneuver.<sup>25</sup>

### **Economic Growth**

Since the collapse of the Soviet Union, Russia has undergone significant changes, moving from a globally isolated, centrally planned economy to a more market-based and globally integrated economy. Economic reforms of the 1990s privatized most industry, with notable exceptions in the energy and defense sectors. In February 2008, President Putin unveiled his strategy for Russian development, often referred to as Russia 2020. His speech motivated Russian economic development teams to formulate an ambitious plan, increasing Russia's share of the world's GDP from 2.5% to 3.4%, and boosting its per capita GDP from \$12,000 to \$30,000. At the time, this agenda seemed possible. Russia was reaping the benefits of a financial boom through its energy resources. Nearly three years later, in the aftermath of the global financial crisis, it is clear that achieving the goals of Russia 2020 will be tough to do.<sup>26</sup>

Prior to 2008, the Russian stock market had soared to 20 times its original size. Real wages increased over 14.5% and real disposable income increased over 10.5% from 2000-2007, pointing to an improved Russian standard of living. Foreign investors flocked to the booming market, pouring in money.<sup>27</sup> "The Reserve Fund held \$140 billion to

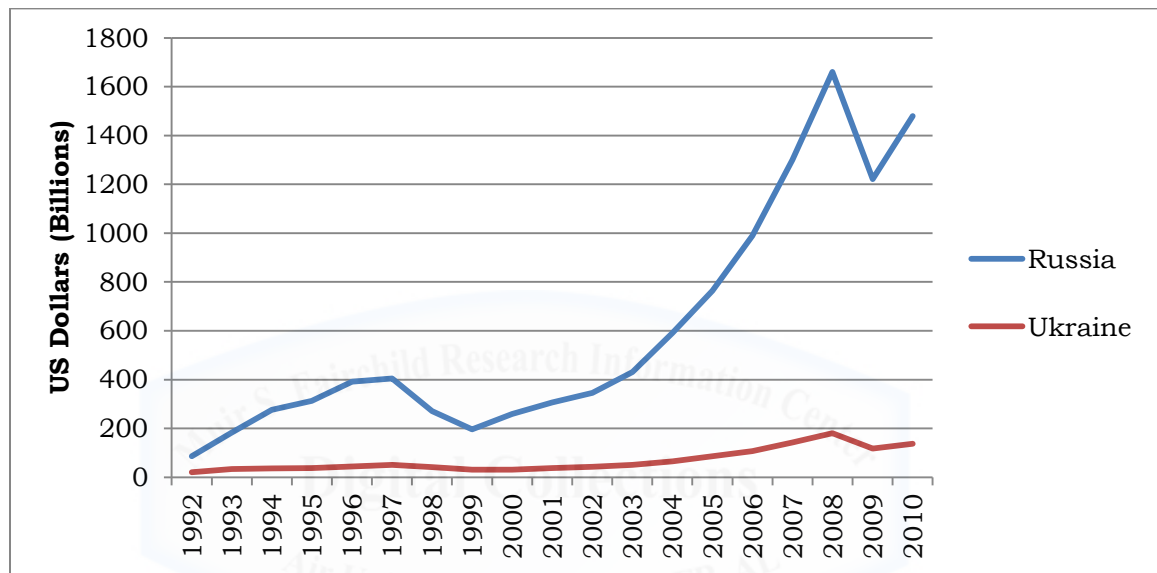
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<sup>25</sup> Macfarlane. "The 'R' in BRICs," 52-53.

<sup>26</sup> Andrew C. Kuchins, Amy Beavin and Anna Bryndza, "Russia's 202 Strategic Economic Goals and the Role of International Integration," Center for Strategic and International Studies, (Washington, DC: CSIS, 2008). 5. [http://csis.org/files/media/csis/pubs/080731\\_kuchins\\_russia2020strat\\_web.pdf](http://csis.org/files/media/csis/pubs/080731_kuchins_russia2020strat_web.pdf) (accessed 21 April 2012).

<sup>27</sup> William H. Cooper, "Russia's Economic Performance and Policies and their Implications for the United States," Congressional Research Service, (Washington, DC: CRS, 2008), CRS-6. <http://fpc.state.gov/documents/organization/106151.pdf> (accessed 22 April 2012).

hedge against a drop in oil prices, and the National Welfare Fund held another \$30 billion to safeguard pensions.”<sup>28</sup> The Russian economy was rising along with the price of oil. Unfortunately, the economy was highly vulnerable to the volatility of commodity prices in world markets. Figure 3 below depicts the Russian economic advantage in the region over the last twenty years.



**Figure 3: Central Eurasia Gross Domestic Product, Current Prices**

Source: International Monetary Fund – 2011 World Economic Outlook

The 2008 global economic crisis hit Russia harder than many other nations. As oil prices plummeted and foreign credits that the Russian banks relied upon dried up, the economy came to a screeching halt. The Central Bank of Russia spent nearly one third of its \$600 billion in international reserves to slow the devaluation of the ruble, along with \$200 billion in a rescue plan aimed at aiding Russian firms unable to roll over large foreign debts coming due. When the economy began to recover in the third quarter of 2009, a severe drought and fires

<sup>28</sup> John W. Parker, *Russia's Revival: Ambitions, Limitations, and Opportunities for the United States*, Institute for National Strategic Studies Strategic Perspectives, No. 3(Washington, DC: National Defense University Press, 2011), 6-7.

in central Russia reduced agricultural output, prompting a ban on exports for part of the year.<sup>29</sup>

## **Energy**

As one of the world's most important energy producers, Russia plays a key role in international energy markets. In 2011, Russia became the world's leading oil producer, surpassing Saudi Arabia. Russia is the world's second-largest producer of natural gas, and holds the world's largest natural gas reserves, the second-largest coal reserves behind the United States, and the eighth-largest crude oil reserves. The 2011 surge in oil prices buoyed Russian growth and has helped Russia reduce the budget deficit created between 2008-2009.<sup>30</sup>

Although Russia's energy sector is by far its most prosperous economically, its output remains constrained by poor infrastructure, old technology, and ineffective management practices. Russia plays a central role in international security markets, thus Moscow's economic choices could substantially affect the prices American consumers and companies pay for energy in the future. Russia's decaying energy infrastructure is unlikely to be updated anytime soon. The energy companies lack the funds, technology, and experience to make the required improvements. Additionally, Russian investment conditions have not attracted foreign investors on the scale required for major overhaul in the energy sector.<sup>31</sup>

Unfortunately, in 2003, as privatization reform efforts were taking hold in Russia, they came to a screeching halt, particularly in the oil sector. It was in 2003 that Putin imprisoned the head of the Yukos oil company, Mikhail Khodorkovsky, putting an end to the challengers of state-run oil. Prior to this arrest, Yukos was the most profitable privately

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<sup>29</sup> CIA World Fact Book, Russia national information. "Pocket World in Figures: 2012 edition," *The Economist*, 2011, 204-205.

<sup>30</sup> CIA World Fact Book, Russia national information.

<sup>31</sup> Allison and Blackwill, *Russia and US National Interests*, 27-28.

held oil company, but Khodorkovsky had political ambitions that ran counter to Putin, resulting in Putin's interference.<sup>32</sup> This was not the first of many instances of Putin reining in headstrong political and economic players, nor would it be the last. Putin strategically replaced chief executive officers in the energy sector with his protégés, creating state-run oil companies.<sup>33</sup>

As Putin's regime commandeered the oil industry, it minimized private ownership and the discipline of capital markets. Oil companies did not have the funds to reinvest in modernization, exploration, or expansion, as all funds went to fill state coffers. Similarly, Moscow was unwilling to cede control or influence over its energy policy to external actors such as OPEC. By 2005, oil production slowed and in 2008, it actually declined.<sup>34</sup> However, in the global background, world oil prices were steadily climbing, masking the declining trends in Russia.

Rather than setting the stage for Russia to become a sustainable great power, Russia's immense raw materials riches make the situation worse by undermining incentives to reform, invest, and diversify. It is what some label the "energy curse," as it focuses public and private energies on reaping profits rather than investing on modernization and diversification.<sup>35</sup> Russia's immense energy potential saps its leadership and population of their desire to implement reforms that may cause short-term hardships.

Russia's scientific establishment has atrophied and faced declining resources and prestige in the shadow of the Cold War. President Medvedev tried to encourage innovation as a central policy goal, though it is unclear if this initiative can succeed, or if President Putin supports

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<sup>32</sup> Parker, *Russia's Revival*, 8.

<sup>33</sup> Parker, *Russia's Revival*, 7.

<sup>34</sup> Allison and Blackwill, *Russia and US National Interests*, 28-29.

<sup>35</sup> Parker, *Russia's Revival*, 12.

the privatization that is useful when trying to innovate.<sup>36</sup> As President Medvedev said in May 2010, “To be blunt, \$140 a barrel-this would be a catastrophe for Russia; this would destroy all stimuli for development.”<sup>37</sup> Russia’s reliance on commodity exports makes it vulnerable to boom and bust cycles that follow the highly volatile swings in global commodity prices.<sup>38</sup> Although the government speaks of trying to reduce this dependency and build up the country’s high-technology sectors, thus far change has not appeared.

### **Demographics**

Another formidable obstacle to Russia’s economic success is its starkly declining population. Russia’s population was approximately 148.5 million just after the Soviet collapse, and the 2012 estimate is 138 million, a decrease of nearly 7%. In addition, in the last 16 years of the Soviet era, births still outnumbered deaths, but deaths now outnumber births by six for every 1,000 people.<sup>39</sup>

Additionally, Russia’s population has been experiencing a calamitous decline in health for nearly 20 years, with no end in sight; positive trends in migration are perhaps the only offsetting factor right now. The current life expectancy for Russian males is just 62 years, attributed to the country’s high levels of alcoholism and poor diet.<sup>40</sup> Working as a potential counterbalance to the declining Russian population is the large numbers of immigrants moving into the nation. As of 2010, Russia was the nation with the second highest number of

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<sup>36</sup> Allison and Blackwill, *Russia and US National Interests*, 29.

<sup>37</sup> Parker, *Russia’s Revival*, 12.

<sup>38</sup> CIA World Fact Book, Russia national information.

<sup>39</sup> CIA World Fact Book, Russia national information.

<sup>40</sup> Claire Suddath, “Census Update: What the World Will Look Like in 2050,” *Time Online*, 30 June 2011, <http://www.time.com/time/nation/article/0,8599,2080404,00.html> (accessed 1 May 2012).

immigrants, behind only the United States.<sup>41</sup> The ever-declining Russian population with less and less human capital has a decreasing chance to reverse the nation's current divergence from diversification, innovation, and ultimately economic growth.

If current trends are any indication, it appears as if a Russian population decline is inevitable. Although President Putin endorsed a plan in 2007 to try to stabilize the population, it does not appear to have resulted in significant changes. National demographics are a tough problem that requires a long-term solution, and if Russia continues down the course it is currently on, the US Census Bureau expects Russia's population to decline to 109 million by 2050; more importantly, its working age population will fall even more sharply.<sup>42</sup> The void in a working age population could conceivably put Russia in an economic hole from which it cannot escape. Reforms increasing immigration quotas or allowing the influx of migrant workers could alleviate some of these downward trends in critical working age demographics, but so far, it does not appear as if Russia is moving in that direction.

### **Corruption**

Russia's economy is overwhelmed by corruption; it is at the core of the political-economic system that exists in Russia today. As the country tries to position itself in the global market as a respected and modern leader, corruption is its Achilles heel. The corruption problem is so significant that large international fund managers like Foxhall Capital Management refuse to invest in Russian businesses.<sup>43</sup> Although President Medvedev has tried to clean up the perception of Russian corruption by removing all government officials from chairperson-of-the-

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<sup>41</sup> Estimated at 12.3 million, the Russian immigration population is nearly two million larger than Germany who sits third in the world. "Pocket World in Figures: 2012 edition," *The Economist*, 2011, 22.

<sup>42</sup> Suddath, "Census Update."

<sup>43</sup> Kenneth Rapoza, "Russia plagued by corruption perception," *Forbes*, 17 June 2011, <http://www.forbes.com/sites/kenrapoza/2011/06/17/russia-plagued-by-corruption-perception> (accessed 23 April 2012).

board positions at all state-owned companies, the perception has not changed.<sup>44</sup>

According to a 2010 Transparency International report, on a scale from 1 to 10 with 10 being “ultra clean,” Russia scored a 2.1 on the index, making it the most corrupt large nation on Earth.<sup>45</sup> Most Russian executives prefer to keep their own money overseas and educate their children at foreign schools for fear they will be charged with corruption and lose everything.<sup>46</sup> Central to the corruption issue is the inability of and lack of desire by the national government to enforce the rule of law in Russia.

There can be real progress for the Russian corruption problem only when the political establishment ensures accountability of power and transparency of governance. Just before leaving office, President Medvedev drew up a policy roadmap to continue the fight against corruption.<sup>47</sup> Currently, this plan is just rhetoric, and it will take the power of President Putin to enforce the plan and not return to the corrupt ways of his past. A Russian joke making the rounds forecasts the optimism of this occurring: the Constitutional court of the Russian Federation declared the slogan “Down with corruption” as one of obvious

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<sup>44</sup> From early 2000 until President Medvedev’s term in 2008, Vladimir Putin built a tightly centralized, practically unaccountable political structure - a structure that tolerates and is highly susceptible to corruption. Will Englund, “Russian corruption takes on a life of its own,” *The Washington Post*, 26 October 2010, <http://www.washingtonpost.com/wp-dyn/content/article/2010/10/26/AR2010102601429.html> (accessed 23 April 2012).

<sup>45</sup> Rapoza, “Russia plagued by corruption perception.”

<sup>46</sup> Russian business owners have a short-term view due to the corruption, and the chaos it imparts on their lives. Unless the Kremlin encourages them to take a longer view about their businesses, the Russian elite will continue to send their money and children abroad. Paul Goble, “Fear of Corruption Charges Leads Most Russian Businessmen to Keep Money and Children Abroad,” *The Georgian Daily Online*, 30 May 2010, [http://georgiandaily.com/index.php?option=com\\_content&task=view&id=18769&Itemid=134](http://georgiandaily.com/index.php?option=com_content&task=view&id=18769&Itemid=134) (accessed 1 May 2012).

<sup>47</sup> Masha Charnay, “Dmitry Medvedev’s new assault on corruption in Russia,” *The Telegraph*, 2 April 2012, <http://www.telegraph.co.uk/sponsored/russianow/politics/9180719/Dmitry-Medvedev-corruption-Russia.html> (accessed 23 April 2012).



extremist character, because it calls for destroying the existing political system in Russia and removing its authorities!<sup>48</sup> For the United States, Russia's corruption is a large barrier to improved trade agreements and relations.<sup>49</sup>

## **Trade**

Bilateral US-Russian trade and investment remains slow, most notably due to Russia's business environment, which is poor in many respects due to the aforementioned weak rule of law and widespread corruption. Russia and the United States are not currently very large trading partners or sources of investment for one another.<sup>50</sup> The remnants of mistrusting one another still exist over 20 years after the end of the Cold War. Congressional reluctance to graduate Russia from Jackson-Vanik, suggests the deeply rooted US resistance to working closely with Russia.<sup>51</sup>

Russia's shortcomings regarding corruption and rule of law, coupled with the archaic processes of the United States, foster an environment of mistrust. To improve this environment both countries must address the root causes. Improved bilateral trade relations would serve US and Russian national interests and values, and ultimately aid in Russia's future. If Russia can leverage improved trade relations and build a diversified economy that creates a foundation for sustained economic growth, over time the Russian society will strengthen as well.

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<sup>48</sup> Parker, *Russia's Revival*, 13.

<sup>49</sup> Allison and Blackwill, *Russia and US National Interests*, 32

<sup>50</sup> "Russia ranks 24th among US trading partners and 25th on the list of direct investments in America. The United States is Russia's 11th largest trading partner and 10th largest source of foreign direct investment into Russia. In contrast, Germany is Russia's third largest trading partner and fifth largest source of foreign investment." Allison and Blackwill, *Russia and US National Interests*, 32.

<sup>51</sup> Allison and Blackwill, *Russia and US National Interests*, 32. The Jackson-Vanik amendment was signed into law in 1975 by President Gerald Ford. It is intended to affect trade relations with non-market economies that restrict freedom of emigration and other human rights. The President does have the authority to grant waivers to this provision.

## **Military Malady**

Since the fall of the Soviet Union, shortages of personnel and fiscal resources have persistently degraded the Russian military establishment. During the Cold War, the Soviets focused on advancing their military sector, as it fought to keep pace with the United States. In the shadows of the Cold War however, this sector crumbled, and Russia's high-tech sector collapsed with it. From 1991-2000, Russia showed a steady decline in military spending.<sup>52</sup> As a result, much of Russia's current military equipment and weapons systems are obsolete or nonfunctioning. Facing critical economic and demographic constraints, Russia must choose how best to invest in its military and find a way to provide a force structure with the limited personnel at its disposal.

In 2008, Russia gave the illusion of a well-run military, when its military rapidly overwhelmed the Georgian forces it opposed. However, upon further inspection, it is apparent that Russia's military fought with outdated equipment. Russia's larger army with superior firepower lacked modern equipment, particularly anything to match Georgia's Israeli-made reconnaissance drones.<sup>53</sup>

Russia's main contemporary military strength lies in left over nuclear warheads and missiles from the Soviet era. However, Russia wants to have more than just strategic nuclear forces. Rather than trying to create a globally capable force, Russia wants to prioritize its nuclear deterrent, as well as space, air defense, aviation, and communications. For the nation to cover these needs, it will cost \$613 billion, and that amount should be nearly doubled if the nation desires to rearm ground troops.<sup>54</sup> Figure 4 below depicts current military spending

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<sup>52</sup> Vivienne Walt, "Russia Rearms," *Time Online*, 27 April 2009, <http://www.time.com/time/magazine/article/0,9171,1891681,00.html> (accessed 1 May 2012).

<sup>53</sup> Walt, "Russia Rearms."

<sup>54</sup> Ilyia Arkhipov and Lyubov Pronina, "Russia Boosts Arms Spree to \$613 Billion, Seeks US Technology," *Bloomberg*, 20 September 2010,

in Central Eurasia, and although Russia needs to invest more, its spending already exceeds its neighbors. It is in America's interests for Russia to invest in the security of its nuclear weapon arsenal.



**Figure 4: Central Eurasia Military Spending - GDP percentage**

*Source: CIA World Fact Book*

Preventing the use and safeguarding of the tactical and strategic nuclear weapons is of vital importance to the United States. Moscow has already played an important role in denuclearizing Ukraine, Kazakhstan and Belarus. The historical precedent set by Russia indicates a recognition of the need for global non-proliferation. The emergence of a nuclear-armed Iran is a serious threat to Russian, as well as American, vital interests. The partnership of Russia and the United States could be an important factor in managing this problem.

The overall decay of the Russian military industrial complex has forced the nation to look abroad when shopping for the latest military technology. Just as the huge success of oil has stifled innovation in the energy sector and diversification into other fields, the end of the Cold

War brought about the slow death of the Russian defense industry. The average age of the employees in this sector is 55, operating with worn out equipment. Russia's overseas arms purchases include the Mistral amphibious assault ships from France, armored personnel carriers from Italy, and unmanned aerial vehicles from Israel. Russia is expected to spend as much as \$12 billion in the next five years to buy military technology from Europe and Israel, funds that could have remained in country had the nation tended to its defense industry.<sup>55</sup>

The approaching Russian demographic dilemma also weighs heavily on the military component. As the pool of men available to draft decreases, so, too, will the size of the army. Complicating the issue is the increasing birth rates in Russia's historically Muslim communities. The influx of Muslims into the Russian army creates challenges for commanders. In July 2010, a fight involving over 200 soldiers broke out in a Moscow division between Dagestani and Russian soldiers. President Medvedev recognized the urgency of the smaller draft pool and called for an overhaul of the draft system. However, the plan suggested was heavily critiqued, and the matter still needs to be resolved.<sup>56</sup>

### **Analysis**

Russia remains a great power; it retains its nuclear power status and its hold on one of the United Nations Security Council's five veto-wielding seats. However, Russia has weaknesses as well as strengths. It is dangerous to recognize only one side of this coin, causing misjudgments on intentions and capabilities. It is important to recognize, for instance, that Russia's newfound affluence, based largely on energy, is vulnerable to market fluctuations and the possible rise of alternative energy sources. The Russian economy is mired in corruption, affecting its military preparedness as well as its ability to participate in

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<sup>55</sup> Parker, *Russia's Revival*, 17.

<sup>56</sup> Parker, *Russia's Revival*, 15.

the global market economy and as a full-up trade partner of the United States. The nation's waning population creates another challenge for Russia, as it determines how to stop the decline in an effort to revitalize the nation's innovation and diversification efforts.

This analysis reveals some of the critical areas the United States should address regarding bilateral relations with Russia. One of the primary strategic concerns for the United States is Russia's economic condition and its reliance on its energy sector and the implicit vulnerabilities that creates. The issue with Russia's energy sector is three-fold: there is too much government involvement, the infrastructure and technology are outdated, and, it is by far the primary source of economic revenue for the nation. It is in the best interests of the United States for Russia to remain an economically prosperous nation, one who partakes in the global market. The United States should look for ways to assist Russia as it deals with the issues listed.

Increased government involvement in the energy sector is a direct result of President Putin's political agenda and fears. Unfortunately, the ramifications of too much involvement have thwarted Russian attempts at innovation and modernization. There is no motivation for private companies to try to succeed, knowing the government will see that as a threat and either arrest its executives or squash the company with tariffs. The leadership of the United States may have a tough time trying to convince Putin of the catastrophic effects he has created with his policies. The historic relationship between these two nations does not lend itself to successful advice, such as what is possible in the South American region. Another avenue for approach by the United States, however, may be to try to influence Russia through incentives.

Russia's decrepit infrastructure and technology, along with poor management techniques, is one such avenue through which the United States can provide incentives. Leveraging American innovation and

modernization, the United States may be able assist Russia with improved technologies, education in management techniques, and improved infrastructure. Given America's current fiscally restrained situation, however, this may be less realistic than perhaps providing Russia with intellectual capital. As Russia develops the capacity to innovate and modernize again in the energy sector, it will be up to Putin to trust his people and allow them to make the nation stronger, instead of forcing them back down by arresting businessmen or commandeering the company.

Russia's economic stability is too reliant on the energy sector. When the global economic crisis of 2008 hit, Russia was one of the nations most deeply affected. Its economy is highly vulnerable to market fluctuations, establishing a high-technology sector will allow Russia to weather the low points in the market while waiting for the upswings it can use to its advantage. As the United States creates policies towards renewable energy, and tries to drift from its reliance on oil, it is possible Russia will see this is a direct attack on its survival.

Before the United States alternative energy policies get too advanced, it is in the best interest of the United States and the world to help Russia find another means of economic stability in order to avoid a possible military confrontation based on Russian misperceptions of a US attack on its livelihood. Fundamentally, it appears the Russian leadership may not even recognize the extent of its energy problems. The Russian revenues from oil are typically misused. Instead of being invested in industrial modernization, hospitals, or schools, the revenue is used instead for political corruption.<sup>57</sup> With President Putin, personal

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<sup>57</sup> After the global financial crisis of 2008-09, the government pumped billions of dollars in interest-free or low-interest loans from state banks into Avtovaz, helping it survive and averting the danger of protests in Togliatti. The second-order affects Putin was looking for were the votes of the 70,000 people in the town in his favor. Putin used government money to secure his position. Reuters, "Russian single-industry town pledges loyalty to Putin," *Reuters News*, 2 March 2012,



ambitions tend to be his number one goal, at the expense of Russia's national interests, evident in his control over the energy sector and misuse of the oil revenue. Unfortunately, it is very difficult to change the decision-making calculus of one person. The United States may instead try to assist the nation of Russia by helping to establish an alternative revenue source (high-technology sector), and educate the Russian leadership on investing in its nation's future versus furthering individual agendas. For the people of Russia, any sense of a future has been amputated by the nation's downtrodden environment and lack of hope.

Beyond the issues of Russia's energy sector and its economic vulnerabilities are the nation's demographic problems. Russia's population is quickly disappearing, either through emigration, or through low fertility rates, and as a result, the nation is rapidly losing its human resources. Decades of alcoholism and poor diets coupled with sub-marginal healthcare exacerbate the issue. Russia's current life expectancy is 62 for the average male, 15 years less than a male in the United States. The short life expectancy combined with little hope for a better life is a fundamental cause of Russians emigration. A significant number of Russian science and engineering students do not return to Russia after their American schooling is complete. The middle class is quickly becoming disgruntled and has less desire to have kids and bring them into Russia as it currently exists. The declining Russian population has strategic ramifications on its future ability to create a labor force. As argued above, a stable Russia is in the best interest of the entire globe, so how can the United States assist with this problem, or guide the Russian leadership towards a path that may prove beneficial?



Russia is not the only nation in the world experiencing decreasing demographics; perhaps answers to their problem are available from other nations experiencing the same issues. During World War II, America experienced a declining population as well, and not just due to battlefield deaths. People did not want to bring children into the terrible world situation of the mid-20th century. However, by the 1950s, America experienced a major baby boom, as people raised during the Great Depression were confident they could provide a better life. US government-sponsored programs, such as the GI Bill and Fannie Mae, provided opportunities for people to own their own homes, and tuition for education. There is no conclusive evidence these programs were the critical factor in the baby boom; they certainly affected the decision-making of the average American wanting to start a family.

France and Sweden both undertook similar governmental reforms to reverse declining fertility rates. France did so through a generous program of financial support to families with children. Sweden opted to modify the options for women to be able to raise children and have careers. The Swedes provide a year of paid leave to new parents, and hold the mother's job for her during maternity leave.<sup>58</sup> The fundamental crux of each nation's solution has been some sort of financial motivation to offset the cost of raising children, as well as creating a family friendly environment. Russia currently lacks both of these options. The United States and other nations can use their own history to try to educate the Russian leadership about programs that may help reverse its downward population slide. If Russia can use some of its oil revenue to provide incentives for families, as well as create an environment that fosters innovation and entrepreneurship, perhaps Russia can solve this dilemma in the next 20 years.

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<sup>58</sup> Steven Philip Kramer, "Mind the Baby Gap," *The New York Times*, 18 April 2012, <http://www.nytimes.com/2012/04/19/opinion/mind-the-baby-gap.html> (accessed 25 April 2012).

A final part of the Russian strategic character that the United States can help influence is the Russian military. It may seem counterintuitive for the United States to try to shape the military of another nation, however, that is exactly what is necessary. There are two significant issues, in particular, with which the United States can try to assist Russia as it continues to mature into a more powerful regional and global actor. The first is the safeguarding of Russia's nuclear weapons. The strategic ramifications of nuclear weapons outside of the hands of a trusted nation state are monumental. It is in the best interests of the entire world for this never to occur. The second is Russia's nonexistent military-industrial complex. It is a possible avenue for revenue, if the nation can reestablish what it once had.

Russia and the United States have many areas of mutual interest to include securing nuclear material globally and preventing the spread of nuclear weapons. The New Strategic Arms Reduction Treaty (START) enhances global security and reduces the threat of nuclear war. The Cooperative Threat Reduction Program allowed the United States to improve security at Russian facilities. These two initiatives certainly put the momentum in the correct decision, now it is paramount that the United States and Russia continue down this path of securing nuclear weapons. The United States can help to develop even more initiatives utilizing improved technology to streamline verification and transparency and build more confidence and predictability on both sides.

Russia and America have also increased cooperation to ensure non-proliferation. Russia is a fundamental player when dealing with Iran and trying to ensure Iran remains a country without nuclear weapons. The United States should use the positive relationship between Russia and Iran to work issues, as it did regarding the Tehran

Research Reactor.<sup>59</sup> Sustaining this partnership is vital for American interests. Iran does not enjoy bilateral discussions with the United States; however, bilateral discussions with Russia appear less threatening. The New START Treaty should be used by the United States as a springboard to strengthen the global nonproliferation regime and set continued plans for further arms reductions.

Beyond the nuclear realm, the battered Russian military-industrial complex requires some assistance. Russia continues to spend massive amounts of money outside its borders on defense. If it could reestablish its own military-industrial complex, it would create more jobs and maintain that revenue in country, to be used on further modernizations. The United States should help Russia comprehend just how important this alternative option for a labor sector is. The military-industrial complex falls within the previously mentioned high-technology sectors. A defense-specific portion will allow Russia to purchase its own military products, increasing hope for the future of Russia and decreasing its reliance on other nations. The United States can share some modernization techniques, as well as intellectual capital regarding how to develop a new sector. There is not a requirement for the United States to share top-secret military technologies, but sharing some older technologies and helping the Russians establish a new economic sector will benefit both nations.

The United States must recognize the current inability to break down the mutual distrust between these two nations. US leaders must carefully weigh American national interests and recall their obligation to advance American national interests, not US-Russian relations. The cooperative relationship is merely an instrument to achieve key goals,

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<sup>59</sup> Borzou Daragahi, "Western nations support Iran deal, but Tehran's stance is still unknown," *The Los Angeles Times*, 24 October 2009, <http://articles.latimes.com/2009/oct/24/world/fg-iran-nuclear24> (accessed 20 April 2012).

not an end in and of itself. The United States has the opportunity to manage its relations with an evolving Russia in a manner that is conducive to both nations' interests. Engaging with Moscow in positive ways is crucial, in an effort not to push Russia and China closer together. A positive bilateral relationship opens up opportunities for sage diplomacy and leadership, where the goals of the two nations overlap, and possibly creates some spillover effect in instances where they do not. The relationship with Russia is not a transitory one; it is one the United States must work hard at to create an environment of trust where one has never been.



### **Chapter 3**

#### **India Illuminated**

*India is indispensable to the future that we seek – a future of security and prosperity for all nations.*

*President Barack Obama*

*India is the cradle of the human race, the birthplace of human speech, the mother of history, the grandmother of legend, and the great-grandmother of tradition.*

*Mark Twain*

Domestic and international changes explain India's gradual rise as a new great power. The 1991 economic reforms facilitated by the end of the Cold War increased India's attractiveness in the international community, as well as its room to maneuver regionally and globally. When the Soviet Union dissolved, India lost its most important strategic partnership. India then responded with massive domestic economic reforms under pressure from the International Monetary Fund. These reforms helped create the foundation for the higher growth rates evident today.

The relationship between the United States and India still carries old memories of antagonism during the Cold War followed by episodic US unreliability. The close relationship between India and the Soviet Union during the Cold War was an obstacle the United States needed to move beyond for relations to improve with India. Over the last 10 years, much of that distrust has eroded, and the two nations are beginning to forge a lasting reliable relationship. India is the center of the region, geographically, materially, and has been a long-standing power historically. It is time the United States fully embrace it as such.

This chapter specifically addresses the historic ties between India and the United States, as well as India's regional integration efforts, economic growth, and military condition. The author contends that

India is a central player within its region as well as globally. Further, the author recommends that the United States deepen its partnership through expanded governmental, economic, and military ties with India in an attempt to secure America's vital national interests.

### **Historical Relevance**

Indians used to view the United States as a nation out to achieve world dominance and the capitalist-imperialism India despised. Americans tended to dismiss India's international role as insignificant, these lingering prejudices still get in the way of great possibilities for bilateral cooperation. These distorted visions must be corrected, but the roots of history run deep and it will not be an easy task.<sup>1</sup>

Indian decision-makers' quest for great power status is not new. In 1946, India's first Prime Minister, Jawaharlal Nehru, listed India, along with the United States, the Soviet Union, and China as the main powers of the international system after World War II.<sup>2</sup> India is by far the most powerful actor in its region, although its search for global power status has led it to prioritize global recognition over regional hegemony. Its lack of decisive regional influence may undercut its legitimacy at the global level. Although India may not be the region's natural hegemon, as some have dubbed it, India is certainly the unipolar power in the region.<sup>3</sup> Exploring Indian history with Frazier and Stewart-Ingersoll's three prominent roles regional powers play as a lens allows one to determine India's national trends and to anticipate future geopolitical interactions.<sup>4</sup>

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<sup>1</sup> Council on Foreign Relations (CFR) and the Aspen Institute India, *Joint Study Group Report: The United States and India A Shared Strategic Future* (New York: Council on Foreign Relations, 2011), 11.

<sup>2</sup> Christian Wagner, "India's Gradual Rise," *Politics: 2010 Vol 30*, (S1) (2010), 63.

<sup>3</sup> Robert Stewart-Ingersoll and Derrick Frazier, *Regional Powers and Security Orders: a Theoretical Framework* (New York: Routledge, 2012), 37, 64.

<sup>4</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 11. The order in which these roles are discussed is based on regional context, and thus may vary depending on chapter content.

## **Custodianship**

As was clear in the cases on Russia and Brazil, the regional norms, along with the nation's own identity-related constraints, play a part in how they perform regional power roles. If regional norms reify sovereignty and constrain states from intervention, so, too, will a self-identification with norms of non-interference. The South Asian region and India both fall within that category of non-interference. Rooted in its own colonial history, India firmly embraces the concept that links the principles of non-interference to its independence. Subsequently, the role India has played as custodian of regional security is deeply affected by its own identity and values.<sup>5</sup>

That being stated, India has not avoided intervention and, since the fall of the Soviet Union, has accelerated its custodianship agenda. The Indian intervention into the civil conflict between East and West Pakistan in 1971 is one such instance. Following the election in 1970 in which the Bengali Awami League won a majority of seats in the National Assembly, riots broke out as the Bengalis began to call for increased autonomy, and the Pakistani government resisted. During the riots, millions of refugees fled into India to avoid the violence against the Bengali population. Indian intervention did stop the violence, but its secondary effects were important as well. As India cut the state politically in two, it diminished the threat of Pakistan and ensured there would not be a two-front war in the future.<sup>6</sup> India's move helped manage regional security and showed signs of regional custodianship.

Another example of Indian regional intervention was the Sri Lankan conflict with the Liberation Tigers of Tamil Eelam that started in the early 1980s. Indian Prime Minister Indira Gandhi tried to play the

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<sup>5</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 116.

<sup>6</sup> William Rogers, "India and Pakistan: Over the Edge," *Time Magazine* Vol 98, (24) (13 December 1971), 37-42. Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 117.



role of peacekeeper, although India's shared ethnic ties to the Tamil population eventually pushed the state to intervene. Early in the war, India's security bureaucracy was secretly training the militant Tamil youths to fight the Sinhalese. Dispatched to Sri Lanka as peacekeepers in the late 1980s, the Indian military had to fight the very group they had helped train.<sup>7</sup> In the meantime, Indian mediation attempts were largely unsuccessful. By 1991, bogged down in guerilla warfare, India's peacekeeping forces withdrew from what can be categorized as a costly and ineffective intervention. India's failure to intervene effectively left scar tissue on the willingness of New Delhi to use military action in future regional security efforts.<sup>8</sup>

The collapse of the Soviet Union following the Cold War accelerated India's transformation in practice beyond its non-interference policy. With the loss of its strategic partner, India revised its foreign policy. Central to this transition was the "Gujral Doctrine," which asserted "India's aspiration to perform the function of regional security manager."<sup>9</sup> Based on the principle of non-reciprocity, this doctrine allowed concessions by the smallest nations in order to develop better regional ties. This allowed the tiny nations of Bangladesh and Sri Lanka to accept Indian goodwill in good faith and trust. The doctrine also called for non-interference in a state's internal affairs and the use of peaceful means to settle all disputes. The Gujral Doctrine institutionalized India's role as the primary security manager in the region. India views itself as the protector of the region, and believes the intrusion of external powers into the region is an infringement on its position.<sup>10</sup>

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<sup>7</sup> Robert D. Kaplan, *Monsoon: the Indian Ocean and the Future of American Power* (New York: Random House, 2010), 202.

<sup>8</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 118.

<sup>9</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 117.

<sup>10</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 146.

## Protector

India's emergence as the protector of the region is clear, and compatible with earlier references to its interest in being a global power. Some have compared India's newly established "Indira Doctrine" to the United States' Monroe Doctrine.<sup>11</sup> However, India and the United States have more to distinguish them, such as India's nearby rivals, nor is it protected by vast oceans as the US was for two centuries. In addition, India cannot just hide behind its superb navy and air force; there are competitors such as China and Pakistan who can attack India from the land as well.

Breaking India's protector role up into pre-Cold War and post-Cold War timeframes, one can see how the geopolitical context in each time period greatly influenced India's actions and rivalries. During the Cold War, its hostilities with Pakistan began with the first Kashmir War of 1947, while the rivalry with China began during the Sino-Indian War in 1962.<sup>12</sup> India also developed a strategic partnership with the Soviet Union. This bond grew stronger as the United States forged ties with Beijing and Islamabad. When the Soviet Union collapsed, there was an opening for India to seek improved relations with the United States. However, steady progress toward this end slowed in 1998 following the Indian nuclear tests.<sup>13</sup>

Following the terrorist attacks on 11 September, India and the United States began to make a concerted effort toward bilateral relations. India and America worked together to defeat this global security dilemma, sharing intelligence on Afghanistan and offering the use of

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<sup>11</sup> Although India has limited capability to project itself, so too did the United States when the Monroe Doctrine was first established as it depended on British maritime security, just as India now depends on the United States naval supremacy. Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 146.

<sup>12</sup> Wagner, "India's Gradual Rise," 64.

<sup>13</sup> Dheeraj Kumar, "Indi-US Relations: Historical Perspectives," *Strategic Insights* Vol 8, no 3 (August 2009): 7, <http://www.nps.edu/Academics/centers/ccc/publications/OnlineJournal/2009/Aug/kumarAug09.pdf> (accessed 22 May 2012).

military facilities and full logistic support.<sup>14</sup> Similarly, in 2008, the United States offered law enforcement and intelligence cooperation after the terrorist attacks in Mumbai.<sup>15</sup> In 2006, President George W. Bush recognized India as a nuclear power, allowing the United States to engage in civilian nuclear exports to India.<sup>16</sup> Perhaps the most telling sign of the reversal in US-Indian relations was President Barack Obama's 2010 sponsorship of India's bid for a permanent seat on the United Nations Security Council.<sup>17</sup> Thus, in the last decade, India has attempted to perform the role of regional protector and enjoyed a cordial relationship with the US. Nevertheless, Pakistan and China, both nuclear powers, still loom large and close.

### **Leadership**

Although India has attempted to play the role of regional protector, and is beginning to see some beneficial reasons to regional custodianship, the nation still has not been in the forefront of any regional leadership processes. India's foreign policy agenda is the likely culprit of what seems to be the stunting of India's leadership action in the region in spite of a dynamic leadership capacity. India still prioritizes global power recognition over a regional focus as a national security goal. Perhaps, this is based on its perception of its natural hegemonic duties, or perhaps it is because India gains more advantage from international relationships versus regional relationships. Second, India prefers bilateral relationships to multilateral ones. This preference tends to

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<sup>14</sup> It appears India has accepted that the United States is going to remain involved in combating terror in the region. Similar to Russia, India is attempting to shape the form of American interference, as long as it does not act too assertively in terms of India's national issues it is an acceptable presence. Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 147-148.

<sup>15</sup> CFR and the Aspen Institute India, *Joint Study Group Report*, 4, 17.

<sup>16</sup> Wagner, "India's Gradual Rise," 67.

<sup>17</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 147-148.

push India away from South Asian institutions in favor of bilateral agreements.<sup>18</sup>

India has not initiated management mechanisms to deal with regional security issues. Although there are many shared concerns and interests among states in South Asia, India has failed to align all regional parties to develop a cooperative approach to address these issues.<sup>19</sup> Significantly, India even opposed the idea proposed by Bangladesh of a multilateral organization that could provide some economic structure to the region. Although India eventually agreed to the development of the South Asian Association for Regional Cooperation, it still insisted the organization was not related to security issues in any way, and would focus on issues such as “agriculture, rural development, telecommunications, meteorology and health and population activities.”<sup>20</sup>

As in other aspects of Indian foreign policy, since 1990 there has been some indication that India may be more interested in multilateral organizations which it can lead or dominate. Most noteworthy, India was an advocate of the 2004 South Asian Association for Regional Cooperation (SAARC) agreement, although this focuses on economic policies and not regional security, spillover is likely into other sectors.<sup>21</sup> The subsequent inclusion of Afghanistan as a new SAARC member and the establishment of trade concessions for the weaker SAARC economies emphasized India’s interest in encouraging intra-regional trade.<sup>22</sup>

### **Economic Growth**

The collapse of the Soviet Union in 1991 opened up new avenues for India’s great power ambitions. Economic liberalization, including industrial deregulation, privatization of state-owned companies, and

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<sup>18</sup> CFR and the Aspen Institute India, *Joint Study Group Report*, 37.

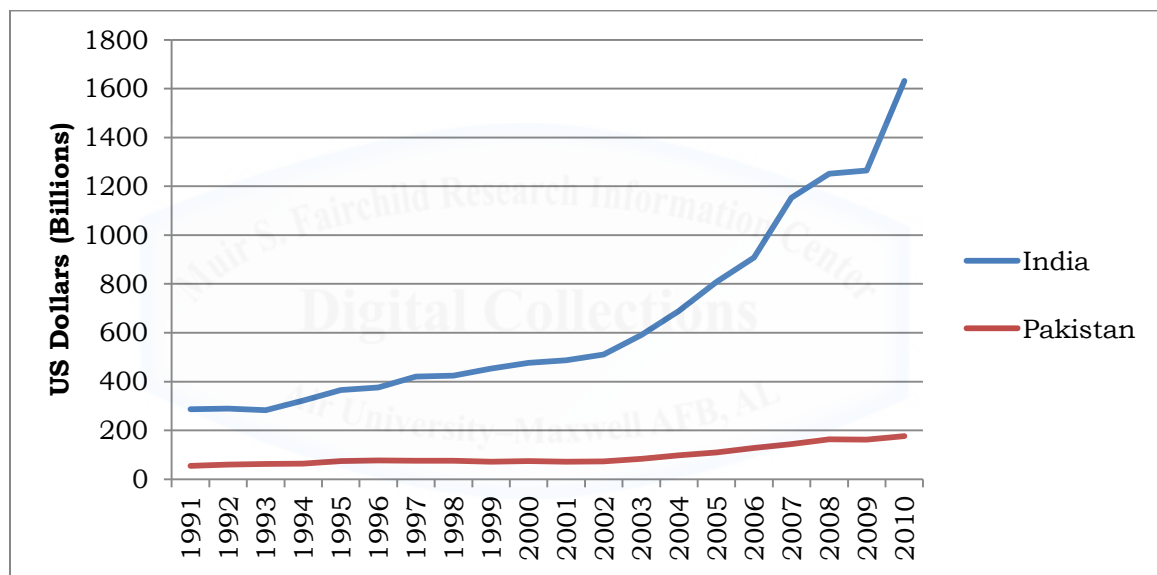
<sup>19</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 90-92. Some pressing regional security concerns include weapons of mass destruction, transnational terrorism, insurgencies, economic security, and ethnic conflicts.

<sup>20</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 91.

<sup>21</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 90-91.

<sup>22</sup> Wagner, “India’s Gradual Rise”, 68.

condensed controls on foreign trade and investment, began in the wake of the Cold War and helped to accelerate the country's growth over the last 20 years. The main pillars of India's new economic policy became lower tariffs and export promotion.<sup>23</sup> The result of this shift has been a sustained and high level of economic growth, "with an average growth rate of 6.6% between 1994 and 1999" and 7.5% between 2003 and 2011.<sup>24</sup> Evident in Figure 5, these rates have far outpaced the region, and show how India's economy is a giant compared to the other regional actors. Its 2011 GDP of \$4.5 trillion was roughly nine times the size of Pakistan's (the region's next largest) economy.<sup>25</sup>



**Figure 5: South Asia Gross Domestic Product, Current Prices**

Source: International Monetary Fund – 2011 World Economic Outlook

India survived the 2008 global economic crisis, and the high rates of growth it has achieved since then appear to be self-sustaining, driven

<sup>23</sup> Wagner, "India's Gradual Rise," 65.

<sup>24</sup> CIA World Fact Book, India national information, <https://www.cia.gov/library/publications/the-world-factbook/geos/in.html> (accessed 27 April 2012). Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 64-65.

<sup>25</sup> In 2009, India's GDP was roughly eight times that of Pakistan, further illustrating how India is pulling away from the rest of the region economically. CIA World Fact Book, India national information. Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 64-65.

in large part by domestic demand. India's diverse economy encompasses village farming, large-scale agriculture, modern industries, and many services. Although more than half of the Indian work force is in agriculture, services are the major source of economic growth in India.<sup>26</sup> Over the past two decades, India has capitalized on its large, educated, English-speaking population to become a major exporter of information technology and software workers.<sup>27</sup> However, high inflation, stagnant economic reforms, high crude oil prices, and corruption contribute to India's higher fiscal deficit and are all challenges India must address.

### **Labor Sectors**

Unlike Brazil and Russia, India does not have a massive energy sector, however its agriculture and service sectors certainly compensate for what the nation is lacking in energy potential. India's agricultural labor force comprises 52% of the entire nation's workforce.<sup>28</sup> The success or failure of the agricultural sector is highly dependent on the success and timing of the monsoon. Collaborative research between India and the United States to make drought- and stress-resistant crops is extremely important for their livelihood and the nation's internal food security. Climate change has altered the monsoon's path and timing, making it difficult to predict. The United States has created a monsoon forecast desk, to try to mitigate the ramifications of monsoon predictions.<sup>29</sup> Although a majority of the Indian workforce is employed in the agriculture sector, this sector still only contributes to 18% of the nation's GDP. The largest labor sector in terms of GDP is the services sector at 55%.<sup>30</sup>

India's service sector, especially the software and information technology portions, became the global back-office for many

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<sup>26</sup> CIA World Fact Book, India national information.

<sup>27</sup> Wagner, "India's Gradual Rise", 65.

<sup>28</sup> CIA World Fact Book, India national information.

<sup>29</sup> CFR and the Aspen Institute India, *Joint Study Group Report*, 33.

<sup>30</sup> CIA World Fact Book, India national information.



multinational companies. Many American and British companies export their information technology services to India, because India has a low-cost of labor, as well as a large pool of skilled English-speaking workers.<sup>31</sup> The rapid growth of the services sector resulted in the growth of its middle class, which attracted foreign investments. Consequently, India is one of the main drivers of the global economy.

### **Demographics**

India occupies only 2.4% of the world's landmass but supports over 15% of the world's population, thus it is an extremely crowded nation. The median age is 25, one of the youngest among large economies, and about 70% live in rural villages and towns. Although 700 million Indians live on just \$2 a day or less, there is a middle class of 100 to 150 million people that is expanding and estimated to grow tenfold by 2025.<sup>32</sup>

As the middle class has grown, its spending habits have changed as well. Out of the Indian middle class, 33% own a color television, and 4% a mobile telephone, which puts India at number two in the world in cell phone use. The Indians are also becoming more connected over the internet. Over 61 million have broadband connections, with over 27 million Facebook users.<sup>33</sup>

India's upward demographic swing is likely to serve as a catalyst for future economic growth. The expanding middle class will continue to expect more services, thus growing the service sector into areas beyond the information technology support that is currently so strong. India

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<sup>31</sup> Information technology enabled services are those that focus on people-intensive services, such as telemarketing, help-desk support, medical transcription, insurance claims and credit card processing. Dilip Dutta, "Recent Economic Developments in the Indian Economy," *Ecodev* Vol 25, (2011) (3), 7.

<http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?sid=4f045f02-9c62-40bd-9c33-e9cfb05811b1%40sessionmgr14&vid=5&hid=12> (accessed 27 April 2012).

<sup>32</sup> The State Department, Facts about India,

<http://www.state.gov/r/pa/ei/bgn/3454.htm> (accessed 27 April 2012).

<sup>33</sup> "Pocket World in Figures: 2012 edition," *The Economist*, 2011, 158-159.



must find a way to ensure there are jobs available for this expanding group, to avoid discontent and social uprisings. It is unlikely as the people get access to global connections, the rural living accommodations will still suffice.

### **Corruption**

Over the past year, India's ruling Congress party has been flustered by some damaging corruption scandals. It has suffered a blow to its reputation on corruption, falling eight places in a year on the Transparency International Corruption Perception list. India went from a ranking in 2010 of 3.3 to a 2011 ranking of 3.1, dropping from 87th to 95th in the world.<sup>34</sup> The opposition has made calls for the questionably honest Prime Minister Manmohan Singh to resign.

The uproar in India and across the globe, regarding the corruption scandals, is causing concern for the stability of the Indian government and economy. Over the past two years, there have been multiple high-profile corruption cases involving important Indian government and military officials. One of the more recent scandals occurred in February 2012, when the Supreme Court cancelled 122 telecommunications licenses awarded to companies in 2008. Former Minister Andimuthu Raja allegedly issued the licenses on a "first-come, first-served" basis instead of auctioning them. Some are calling this India's largest ever scandal, estimated to have lost over \$40 billion dollars in the deals.<sup>35</sup>

The corruption scandals did not leave the military free or the anti-corruption chief himself from any wrongdoing. Just this last March, Army Chief General V.K. Singh stated that a defense industry client offered him a bribe of \$2.7 million if the army bought hundreds of trucks

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<sup>34</sup> The list ranks 183 nations from a best of 10 to a worst of 0. *BBC News*, "India Transparency International corruption index blow," 1 December 2011, <http://www.bbc.co.uk/news/world-asia-india-15979646> (accessed 27 April 2012).

<sup>35</sup> "India's corruption scandals," *BBC News*, 18 April 2012, <http://www.bbc.co.uk/news/world-south-asia-12769214> (accessed 27 April 2012).

the general considered “sub-standard.”<sup>36</sup> In 2010, the Supreme Court forced the head of India’s anti-corruption group PJ Thomas to resign, on grounds of his own corruption charges. Although the charges are 20 years old, the decision is still an embarrassment for Prime Minister Manmohan Singh, who publicly supported Thomas’ appointment to the committee.<sup>37</sup>

India’s prevalent corruption is a barrier to trade agreements with the United States. The Indian government is under pressure from anti-corruption campaigners to accept a new law that allows for a citizen’s ombudsman.<sup>38</sup> A stable, non-corrupt India would serve the interests of the United States as well. India can serve as the driver for regional trade, investment, and wealth generation, but needs to manage its corruption. The United States should pursue policies that help encourage and facilitate these measures, using trade reforms as a motivational means for India.

## **Trade**

Current trends in the bilateral US-India trade relationship are varied. Although bilateral trade continues to grow at a rapid pace, the growth is modest in absolute terms. India is only the twelfth-largest trading partner for the United States, although the United States is one of India’s top foreign investment providers. The United States is India’s third-largest trading partner behind the United Arab Emirates and China.<sup>39</sup> Although these trade numbers may seem meek, trade between the United States and India has doubled twice in the last 10 years. The role of the government in these trade relations has been to remove

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<sup>36</sup> “India’s corruption scandals,” *BBC News*.

<sup>37</sup> “Corruption in India: A Million Rupees Now,” *The Economist*, 10 March 2011, <http://www.economist.com/node/18338852> (accessed 27 April 2012).

<sup>38</sup> “India Transparency International corruption index blow,” *BBC News*, <http://www.bbc.co.uk/news/world-asia-india-15979646> (accessed 27 April 2012).

<sup>39</sup> CFR and the Aspen Institute India, *Joint Study Group Report*, 28.

barriers that prevent cooperative outcomes, and encourage private sector collaboration.<sup>40</sup>

Governmental efforts by India and the United States to facilitate trade and investment between the two countries have appeared lackluster in recent years. During his 2010 trip to India, President Obama announced important export control reforms, but little progress has been made in implementing the new policies, or reaching other agreements that encourage bilateral trade and investment. While India's trade relations with the United States may be stalling, India is nearing a free trade agreement with the European Union, and already has one in place with Japan and South Korea. This bilateral relationship may be caught up in Congressional negotiations, as the US Congress debates a new bilateral investment treaty that can serve as a template for future partners.<sup>41</sup> Goldman Sachs predicts that India will expand at an average rate of 8.4% through 2020, becoming a global economic powerhouse. The United States must not let bureaucratic red tape hamper the bilateral trade potential that exists.<sup>42</sup>

### **Military Developments**

India's economic growth and newfound access to military technology have spurred hopes of the country's military revival. Counter to this optimism stands India's preference for strategic restraint, despite being one of the world's largest importers of advanced conventional weapons for three decades. Indian leaders have not seen the use of force as a useful instrument of politics. The Indian foundation of ambivalence that minimized the importance of the military is deeply rooted in history and informs defense policy and military modernization.

India has clung to its strong anti-militarism despite the conflict and war prevalent in the region. India's military restraint in the region is

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<sup>40</sup> CFR and the Aspen Institute India, *Joint Study Group Report*, 5.

<sup>41</sup> CFR and the Aspen Institute India, *Joint Study Group Report*, 28.

<sup>42</sup> CFR and the Aspen Institute India, *Joint Study Group Report*, 5.

wise and is perhaps what allows the United States to accommodate its rising status, but this trend towards military restraint does not help India's armed services charged with military planning. Additionally, Pakistan, India's primary rival does not subscribe to the idea of strategic restraint, and continues to prepare for India as an aggressive power affecting India's security.<sup>43</sup>

The civil-military relations in India focus too heavily on ensuring civilian control over the armed forces and neglect how to build and field an effective military force. This imbalance has caused the services to see things differently and their plans are uncoordinated, suffering from a lack of political guidance. The Indian Army subscribes to a Cold Start doctrine, trying to find a way to fight both irregular conflicts, as well as large-scale force-on-force conventional operations and a nuclear exchange in the standoff with Pakistan. This policy informs the Army's weapon requests, where attack helicopters, tanks and long-range artillery are atop the list. The Indian Air Force (IAF) plays the country's primary nuclear deterrent role, claiming air superiority and air defense roles as a close second and third. Close air support, essential to the Army's doctrine, is a distant fourth in the IAF priorities. Finally, the Indian Navy wants to secure the nation's sea-lanes of communication (SLOC) and protect its energy supplies.<sup>44</sup> Security of the SLOCs is vital for the safety of the neighborhood, as well as the security of its most important economic supply routes.<sup>45</sup> Its priorities include anti-piracy efforts in the Malacca Straits and the Horn of Africa.

India's dominant position in the region militarily is evident in the disproportionate size of its military spending relative to the rest of the

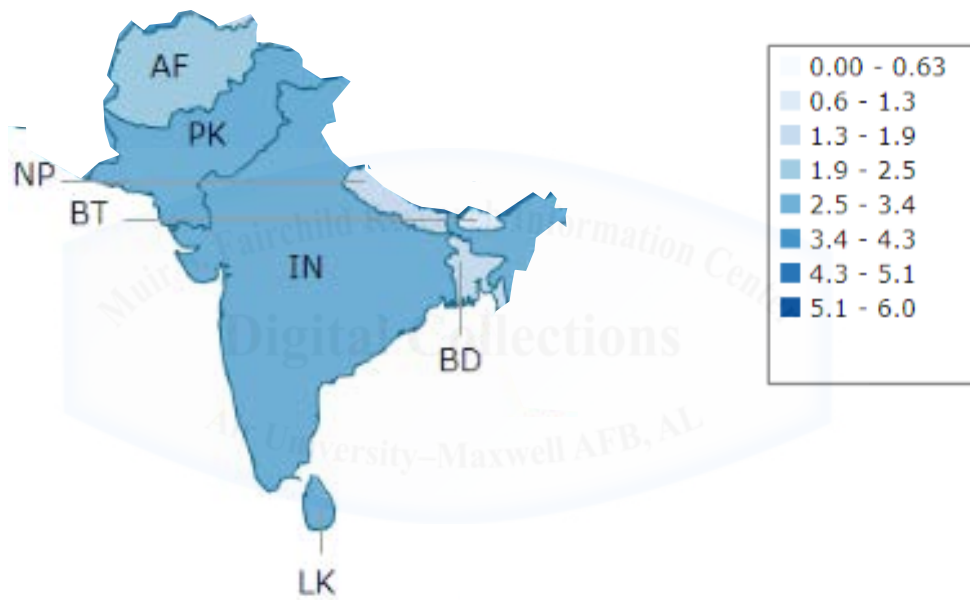
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<sup>43</sup> Sunil Dasgupta, "The Fate of India's Strategic Restraint," *The Brookings Institute*, [http://www.brookings.edu/~media/research/files/articles/2012/4/india%20dasgupta/04\\_india\\_dasgupta.pdf](http://www.brookings.edu/~media/research/files/articles/2012/4/india%20dasgupta/04_india_dasgupta.pdf) (accessed 22 May 2012).

<sup>44</sup> Stephen P. Cohen, "The Drag on India's Military Growth," Brookings Policy Brief Series No. 176, September 2010.

<sup>45</sup> Teresita C. Schaffer, "US-India Initiative Series: The United States and India 10 Years Out," Center for a New American Security, October 2010, 6.

region. In 1991, its defense expenditures of \$13.9 billion were nearly 3.5 times its nearest competitor (Pakistan). By 2009, the difference had grown to 7.5 times. India accounts for 83% of the regions total of military spending, and its military contains 1.3 million people compared to Pakistan's 619,000.<sup>46</sup> India is the conventional force giant as seen in Figure 6, despite its confusion over civil-military relations. Although India is not the only nuclear power in the region, its conventional capability far surpasses the others, creating a disparity between India and its neighbors.



**Figure 6: South Asia Military Spending - GDP percentage**

*Source: CIA World Fact Book*

US-India defense cooperation has progressed over the last decade from being nearly non-existent to a full-fledged, robust relationship between two first-rate militaries. The two nations participate in military exercises regularly, and the United States and other western nations compete for and win competitions to supply India with high-technology

<sup>46</sup> Stewart-Ingersoll and Frazier, *Regional Powers and Security Orders*, 65-66.

defense systems.<sup>47</sup> Cooperative agreements between the United States and India also exist in many areas, to include scientific research, disaster relief, search and rescue, and intelligence collaboration.

Nevertheless, there are still many challenges the two nations face. The United States has grown to expect routine enabling agreements to permit cooperation from many nations, including India. Rooted in a historic preference for tacit understandings, India is reluctant to sign such documents. India's refusal to sign limits the types of defense hardware the United States can provide to India and impeded cooperation between the two nation's militaries. India is also resistant to multilateral exercises, viewing them as inconsistent with India's near-term policy objectives.<sup>48</sup> While the United States prefers to strengthen the capacity of many partnering nations simultaneously, to test interoperability and communications links.

The challenges to cooperation are not only the burden of India; the United States also carries with it baggage from the Cold War era. India was not a part of the US alliance structure during the Cold War and is still penalized by archaic US export control policies and laws. Although the administrations of the past two presidents have made significant reforms to remove some of these constraints, many hurdles still exist and complicate efforts especially in the sensitive defense sector. Similar to the bureaucratic and regulatory lag facing Russia's new role, the United States is not adjusting to India's new role contrary to the highest government officials' intent.<sup>49</sup>

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<sup>47</sup> India announced its intention to buy French Dassault Rafale fighter jets with a contract price of \$10.4 billion, makes it the largest weapons deal in the history of independent India. Sunil Dasgupta, "On a Wing and a Player," Brookings, 18 February 2012. American firms have secured contracts of more than \$8 billion in the last four years. CFR and the Aspen Institute India, *Joint Study Group Report*, 36.

<sup>48</sup> The United States and India have yet to conclude a Logistics Support Agreement, a Communications Interoperability and Security Memorandum of Agreement, or a Basic Exchange and Cooperation Agreement for Geospatial Cooperation. CFR and the Aspen Institute India, *Joint Study Group Report*, 36-37.

<sup>49</sup> CFR and the Aspen Institute India, *Joint Study Group Report*, 38.

## **Analysis**

India is by far the most powerful actor in its region. Although Pakistan is also a nuclear weapons power and resides in the region, nuclear power alone is not what makes a nation powerful. India's aspirations have long been to be recognized as a great power, not just a regional one. Sacrificing regional power status, India's self-perceptions run contrary to the reality of the region. India feels it is the natural leader of the region, and that others should follow suit. However, many in the region do not subscribe to the same policies India professes. Additionally, India loses legitimacy of its claims to higher power when it lacks decisive influence regionally.

India has made a tremendous shift in its economy over the past two decades. The result has been the high level of economic growth, with an expected continuation into the next decade. India's economy is mired by corruption that translates into less global trading opportunities. However, India is also a growing giant in the information technology sector and has the potential to expand its middle class into a formidable workforce. India's agriculture sector is extremely susceptible to climate changes and is cause for concern for the government, as it strives to feed its large population. The Indian military is blooming under the booming economy, despite the confusion present from its political masters.

Unlike Russia, the Indian population is rapidly expanding, creating a potential problem for the Indian government. The Indian population is very young, so it is a challenge for the Indian government to find ways to keep them successfully employed. The growth of the services industry, particularly in the information technology sector, created many jobs, but as the population continues to grow, there may not be enough of these jobs. The Indian government should try to establish an industrial sector and create additional jobs in the process. The industrial sector can include an indigenous defense industry, allowing the nation to keep its



hard-earned money in-state, versus continuing down the path of spending precious resources on another nation's technologies. Additionally, establishing additional jobs will minimize the social uprisings typical in a society with unemployed young people who are merely looking for something to do with their time.

The United States can assist India in its quest to create more jobs, and in the creation of an indigenous defense industry. Through technology transfer programs and joint ventures with American companies, India can establish a thriving defense industry creating many jobs for the young aspiring Indian population. Now may be the perfect time for this joint endeavor. As the United States draws down its own defense budget, the primary defense contractors need new initiatives in order to thrive. These large American companies will more than likely offer cheaper contracts in these times, and are more open to joint projects. Additionally, the United States can provide an educational labor force in this sector to get India started on the right foot. India's tendency toward bilateral arrangements may favor such a strategy, and it could be beneficial for both American and Indian national interests.

The US-Indian bilateral trade relationship is not as mature as one would expect at this juncture. While the United States is trying to create an all-purpose bilateral trade template, India is creating partnerships with other nations around the globe, to include China, Russia, South Korea, the European Union, and Japan. Each of these economic powers will profit from improved trade-relations with India, while America sits by and works through mounds of bureaucratic tape. It is critical that the United States abandon its desire for an all-encompassing bilateral trade agreement and instead focus on one that will work for America and India, or the United States will be left behind as the other nations prosper from their ties with India and one another. Congress is pivotal in this discussion and must understand that India will find other countries to

fill the void the United States creates (or ignores), and its relationships with other nations may then prosper and spillover into other arenas.

India's agricultural sector is of strategic importance to the United States and to food security worldwide. India's government must find a way to feed its entire population, especially as it surges beyond its current demographic levels. If they do not, it is likely the United States will need to step in and provide a reactive solution. In order to avoid this option, the United States must be proactive and help India as it battles its climate shifts and supply chain issues. The United States already provides some monsoon forecasting capabilities to India, and it is essential these continue. However, this is not enough. The United States can also teach the Indians how to use the climate tracking hardware and software, so the nation is not dependent on the United States. Doing so alleviates America of this duty, and once again creates jobs for the Indian populace. The primary reason for famine across India is not for a lack of food, it is because India lacks the proper supply chain and storage facilities for the crops. The United States certainly has some technological and intellectual capital it can provide to India to assist them through this issue. This is not a job for the US military; it is better suited for the State Department or other non-governmental organizations that are well versed in this area.

The final area of strategic interest to the United States is India's military development. The two nations currently conduct numerous military training exercises, and this should continue into the future. Bilateral exercises are easy options for the US military to foster the relationship. However, opportunities for increased cooperation do not stop there. The United States can also help shape the future force structure of the Indian military, its policies, and its resources in an effort to maximize the security of American interests in the region.

The Indian military is currently experiencing a shift in policy, and the United States should be at its side influencing the decisions India makes to ensure preservation of American interests. The Indian 2012-2013 budget allocates a major portion of the budget to the Navy as compared with the other services.<sup>50</sup> This increase may be a precursor to an increased Indian presence in the Indian Ocean as it develops a blue-water Navy. A stronger Indian naval presence in the Indian Ocean can be a bonus for the United States, as it seeks to move its naval presence into different regions. Training and trusting the Indian Navy to assist the American Navy in this region would alleviate some of the global police force status the United States has worldwide; it also provides the Indian government ownership of their own security issues. Unfortunately, the current Indian military organizational structure may prevent the Navy from achieving an optimized blue-water capability.

Still organized around the archaic World War II institutions adapted from the needs of a colonial power, India's armed forces are not designed for efficiency or synergy. India does not follow an integrated command structure and this creates redundancies and inefficiencies in the system, weaknesses that are not fiscally judicious. There is still massive infighting amongst the services ablating the chances of the nation using its armed forces as a single national instrument of power. The United States may have the perfect advice for India, if it looks back historically; these were the same issues it experienced prior to the Goldwater-Nichols Act of 1986. Subsequently, a single general or admiral who maintains control of the forces in his command heads each of the American combatant commands. Indian political intervention may be required, as it was in the case of America to create this effect of a unified chain of command. A single chief of defense can be the military

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<sup>50</sup> Jennifer McArdle, "India Boosts its Cinderella Service," *The Diplomat Online*, 22 April 2012, <http://the-diplomat.com/2012/04/22/india-boosts-its-cinderella-service> (accessed 20 April 2012).

advisor for the government, and it should go a long way towards quelling the intra-service turf wars, but most importantly, an organizational change this progressive would enable India's military to project itself as a single, effective war-fighting machine.<sup>51</sup> By sending high-level military and political advisors to India to educate the government on military organization, the United States may find a way to assist India to achieve its long-term policy objectives.

Another current strategic topic for the entire world is the possibility of an evolving Indian nuclear policy. India currently has a nuclear weapons doctrine of no first use. However, recently a senior lawmaker from India's Bharatiya Janata Party suggested that this doctrine is outdated and should be reexamined. Although the official Indian stance does not agree with Jaswant Singh's suggestion, the ramifications of a change in nuclear doctrine along with the mutable security environment are causes for concern.<sup>52</sup> If India were to abandon its no first use doctrine, it would upset the regional security balance and put nuclear weapons on a hair-trigger alert, both unacceptable global security. The United States must act as the nuclear mentor for India and remind Indian leadership that the no first use doctrine works as long as India maintains its assured second-strike capability. Creating confusion in the region by changing its nuclear doctrine could cause second- and third-order effects of escalating magnitude, as Pakistan and China become suspicious of Indian intentions. It is paramount to global interests that India does not initiate an aggressive nuclear doctrine upsetting the current status quo.

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<sup>51</sup> Xerxes Adrianwalla, "India Needs a Joint Chiefs," *The Diplomat Online*, 28 April 2012, <http://the-diplomat.com/2012/04/28/india-needs-a-joint-chiefs/> (accessed 19 April 2012).

<sup>52</sup> Reshmi Kazi, "Folly of an Indian Nuclear Shift," *The Diplomat Online*, 14 April 2011, <http://the-diplomat.com/2011/04/14/folly-of-an-indian-nuclear-shift/> (accessed 28 April 2012).

India's tendency towards tacit understandings versus signed agreements is not sufficient for the United States in many defense trade negotiations. The United States desires formal agreements and as such, India is not privy to many of the higher technology goods the United States is willing to sell to other partners worldwide. Additionally, much like the case with Russia, outdated US export policies from the Cold War prevent the United States from selling many defense products to India.<sup>53</sup> Congress once again needs to take a holistic view of today's geopolitical realities and update American export regulations in order to allow the United States to share defense technologies with other friendly nations. A strong India is a valuable asset for the United States, and the sooner America acts accordingly, the better things will go for all.

There are a few other items of strategic interest to the United States regarding India and its future as a global power. Although these items do not fall under one of the categories previously discussed, their strategic importance compels the author to address them in this paper. The first of these is the recent Indian decision to circumvent the sanctions regime constructed by the United States and its friends and allies against Iran.<sup>54</sup> This political move by the Indian leadership is a move in the wrong direction for improving relations between the United States and India. Although this is a difficult issue for India, its global and regional leadership is under scrutiny now as it chose to break step with the West in this Iranian nuclear crisis. The United States now needs to determine how it will respond to this action. One can hope America will not overreact and instead will calculate that this may be an isolated incident by an Indian government who has its own national

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<sup>53</sup> Ashish Kumar Sen, "India Seeks Eased US Controls on Sales of its Defense Technologies," *The Washington Times*, 27 September 2010, <http://www.washingtontimes.com/news/2010/sep/27/india-eased-us-controls-sales-defense-technologies/?page=all> (accessed 22 May 2012).

<sup>54</sup> Nicholas Burns, "India Lets US Down on Iran," *The Diplomat Online*, 20 February 2012, <http://the-diplomat.com/2012/02/20/india-lets-u-s-down-on-iran/> (accessed 20 April 2012).

security interests at heart. This leads us to the second relevant strategic issue for the United States and India; namely, the upcoming withdrawal of US armed forces from Afghanistan.

As the American forces vacate Afghanistan, the United States must consider the geopolitical ramifications for the other nations in the region, to include India. One reason India may have sided with Iran regarding sanctions is its strong security interests in ensuring the government in Kabul can be a barrier against Pakistan, as well as a conduit for trade and energy in Central Asia.<sup>55</sup> When the United States leaves Afghanistan, if Pakistan achieved a central role in shaping the political environment, or if the Taliban returns to power, it is likely India will move closer to Iran, whose interests are similar in Afghanistan. Supporting sanctions on Iran two years prior to this changeover could hamper the viability of the Indian-Iranian partnership that India feels it may need. When viewed from that perspective, the US withdrawal from Afghanistan, if not concerned with the viability of Kabul's government, could be another trigger to push India closer to Iran.

The United States is sitting in an intriguing position regarding India. If the United States takes the opportunity to work with India and help the Indian government address the Indian demographic dilemma, improve trade relations, and work towards mutual agriculture and military agreements, it could be a lasting, fruitful relationship.<sup>56</sup> A cooperative relationship with India is in the best interests of both countries, as India seeks to find a permanent global standing, and as the

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<sup>55</sup> David Karl, "US-India Ties: Pivot Problems," *The Diplomat Online*, 9 February 2012, <http://the-diplomat.com/2012/02/09/u-s-india-ties-pivot-problems/> (accessed 20 April 2012).

<sup>56</sup> The author intentionally left India's corruption out of the recommendations for American assistance, as it is a field that requires further research. Although the perception of the Indian population is that the government has increased its anti-corruption efforts in the last five years, it still has a long ways to go in this arena. Although some have recommended education for children is the best way to combat corruption. <http://the-diplomat.com/indian-decade/2010/11/11/kids-key-to-beating-corruption/kids> (accessed 28 April 2012).

United States seeks continued freedom of action in the South Asian region.





## Conclusions

*Short-term thinking drives out long-term strategy, every time.*  
Herbert Simon

This paper has examined issues that demonstrate how Brazil, Russia, and India are each regional powers, and to recommended potential avenues the United States can pursue to enhance its own national interests. Admittedly, this analysis is lacking in every area deemed possible for future bilateral partnerships, but it clearly informs the reader of a few critical junctures of which the United States should take advantage. As Nobel Prize winning economist Herbert Simon recognized, the United States government tends to focus on day-to-day bureaucratic operating patterns, but it must begin to address long-term strategic actions in order to remain proactive regarding the nation's strategic national interests.<sup>1</sup> At first glance, it appears there are two options to deal with these rising regional powers, the first is to do nothing and hope that eventually the nation will falter, and, once again, America's hegemonic hold on the globe will reappear. The other is to wait until the issue requires military intervention and to use the American military to try to reestablish the hegemonic world order the United States currently enjoys. Recognizing that these two options are not the most viable options for the United States, I want to recommend an alternative, a third option, one that allows the United States to maintain the security of its national interests and that creates a better global environment for all actors.

As the United States operationalizes the President's strategic direction to pivot toward Asia, it is critical America does not ignore the

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<sup>1</sup> Paul Bracken, "Net Assessment: A Practical Guide," *Parameters*, Spring 2006, 90-91. <http://www.carlisle.army.mil/usawc/parameters/Articles/06spring/bracken.pdf> (accessed 14 May 2012).

remaining regional powers. A nation's strategy must be multifaceted. It should not be myopically focused on one competitor, but instead should anticipate future geopolitical possibilities and plan accordingly. Brazil, Russia, and India each possess the economic and demographic potential, as well as the regional influence and leadership aspirations capable of impacting American national interests. Each of these nations, in its own accord, through access to energy, economic growth, or political influence over a key region poses a strategic concern that the United States must not overlook, for fear of falling prey to short-term thinking yet again.

During the course of this study, three prominent themes emerged among the regional powers as possible opportunities the United States can leverage to create a globally beneficial environment. The first trend involves the lack of bilateral or multilateral trade agreements with these three nations and the economic repercussions facing the United States if this trend continues. The second trend identified is the importance of a strong military structure for regional purposes, which in turn supports global stability, especially regarding nuclear weapons. The third and final major trend recognized is each nation's reliance on energy, either as an economic driver or as an increasing consumer. There are opportunities for the United States to shape these nation's policies through these three avenues, as well as foster partnerships that can spill over into other arenas, like human rights and environmental concerns.

### **Trade**

Archaic American trade regulations shaped by the geopolitics of the Cold War are hampering the United States as it tries to expand its global trading partnerships, particularly with Brazil, Russia, and India. Just this past April, President Obama addressed trade agreements with Latin America, in particular the FTAA that is vehemently opposed by Brazil, as many in Latin America see it as a way to help resolve American economic problems, but not as a benefit for Brazil, or Latin America. The

United States is still treating Latin America as a second-tier global player, and it must change its attitude, particularly regarding Brazil. Brazil is the leader of Latin America, and the United States must begin to respect that and treat them accordingly. Brazil's rapidly expanding economy is one on which the United States wants to capitalize, but American leadership must find a way to match its rhetoric to its actions. For too many years, Latin America has been at the mercy of inconsistent policies with the US, and Brazil is finally able to put its foot down and negotiate on more equitable terms. It is likely time for the US to abandon the FTAA, in favor of another agreement that is lacking in its historical baggage. As it does this, the new agreement must take into account Latin American perspectives and not treat them as merely remote issues. Then, the American government must enforce the new agreement, proving to Latin America that times have indeed changed and the United States is not creating another façade of partnership.

Severely restricted by the outdated Jackson-Vanik amendment, America is losing out on the lucrative Russian market. It is time to repeal this amendment, allowing full-access to Russian trade, thus creating new American jobs, as the Russian middle class demands more and more iconic American goods. If the United States repeals the amendment prior to Russia's accession to the World Trade Organization, it can only help the global perception of Americans. On the other hand, if America delays this decision, the perception will be of a nation reacting to geopolitical changes instead of a nation creating the changes it wants to see in the world. For almost two decades, Jackson-Vanik has persisted as a Cold War relic, surviving mostly from inertia. Now is the time for the United States to reverse this inertia and continue to act as the global leader, one that identifies the world for what it is and not what it once was.

Trade negotiations with India are no better off than those with Brazil or Russia. The United States is negotiating too slowly on the Trans-Pacific Partnership and should seek bilateral agreements with India immediately in an effort to quell the large and growing Chinese influence in the region. Sidelined with bureaucratic red tape, America allowed China to create free trade agreements with India. America's long-term strategic and economic success hinges on a successful Asian trade strategy, and India is the best option for that route. After America secures the bilateral trade agreements, then it can continue to work on the multilateral agreements it desires for the long term. It is in America's best interests to pursue successful trade agreements with Brazil, Russia, and India. If America fails to fill the trade void these nations feel, then they will look toward other strategic partners, such as China, and America will suffer the consequences.

### **Military**

The second theme identified is the importance of a strong military structure as well as the role the United States can play to assist these nations in their development. Brazil, while not a nuclear power, remains the military powerhouse of Latin America. Most importantly, Brazil made the decision not to pursue a nuclear weapons capability and led regional support for the entire continent to comply with nuclear non-proliferation. The United States can continue to support Brazil's decision on nuclear weapons, ensuring the region safety under the American nuclear umbrella if required. Additionally, Brazil is currently revamping its strong naval presence, especially to protect its recently discovered pre-salt fields. America should embrace this expansion and assist the Brazilian military as it develops a true blue-water naval capability. A partnership with Brazil to patrol these waters could alleviate some of the US Navy's Fourth Fleet's responsibilities in the South Atlantic. Additionally, as the Brazilian navy matures it will be another instrument

of power for the Brazilian government to assist in narcotic intervention efforts. The United States can help to enable a strong, stable partnership with the Brazilian Navy by conducting bilateral and multilateral exercises, and, more importantly, by assisting Brazil procure the most advanced technologies to ensure interoperability between the two nations.

There may be a fear among Americans as Russia attempts to reinvigorate its military structure and industrial complex, however these fears are misplaced. The United States must continue to work with Russia towards the security of all nuclear weapons. The two nations continue to have the largest nuclear arsenal and should remain reliable stewards of the technology. Taking the lead in non-proliferation talks, as well as continuing START discussions, allows the United States to lead Russia to a safer world, where there are fewer opportunities for a non-state actor to procure weapons of mass destruction. Beyond the mutual interest in nuclear weapon security, the United States should also advise Russia on the importance of regenerating its military-industrial complex. If Russia continues to rely predominantly on energy for its economic revenue, the market fluctuations could lead to a weak nation state that is susceptible to intervention from outside parties. However, if the United States can help Russia to create flexibility in its market, then Russia could weather any energy fluctuations and continue to emerge as a growing economy and global power. Now is the time to treat Russia as a friend and not a foe. If America misses this opportunity, Russia may feel the need to look towards China, as it recently has in the creation of the Shanghai Cooperation Organization. The alignment of those two powers is not in the best interests of the United States, nor the rest of the world.

One of the most pivotal military situations for the United States over the next five-to-ten years is the state of the Indian military, especially as the United States winds down operations in Afghanistan.

The current shift in American policy toward East Asia could leave India stuck in a difficult situation. It is vitally important for the stability of the region, as well as the goal of maintaining a future positive working relationship with India, that America leave Afghanistan with a capable and functioning government, which is not a threat to the region. Failure to do so may force India into a closer relationship with Iran at the expense of a relationship with America. Additionally, the United States can assist the Indian military as it struggles to develop a sustainable civil-military working relationship. Educating the Indian military on the current US military structure, as well as, how the US military interacts with its government, could pay dividends as India struggles through these issues. Although the system the United States uses may not be the perfect answer for India, it may help in brainstorming efforts. Finally, just as with Brazil, India is beginning to prioritize its navy and air force, and the United States can play a pivotal role with this nascent force. If the United States can advise on training and equipping the Indian navy, the possibilities increase for future interoperability when required.

### **Energy**

The final major trend recognized is each nation's reliance on energy, either as an economic driver or as a rising consumer. Brazil and Russia both produce massive amounts of energy. With the recent pre-salt find off the coast of Brazil, the amount of oil coming from the region will dramatically increase in the coming decades. However, this assumes that the global reliance on oil will not decrease. The United States may inadvertently be destroying the energy market for both Brazil and Russia, with its environmental policies toward alternative energy sources. Although Brazil is not hit as hard as Russia with the shift in American policy, both are still likely victims. American leadership must ensure it uses effective strategic communication to alleviate concerns that the shift

is a direct attack on either of these two nations, or any other nation that relies on oil as its primary economic revenue. Additionally, the prior recommendation to assist Russia in developing a military-industrial complex reduces the impact of a global shift to alternative energy. In the case of Brazil, the United States can continue to work closely with Brazil developing ethanol and finding more efficient uses and production opportunities for both nations. Alternative energy is an area of mutual concern that the United States can harness towards a better global good.

Unlike Brazil and Russia, India is not a global leader in exporting energy. India is, however, a leader in energy consumption, and, with its expected demographic growth, it will continue on this path. The United States should be proactive regarding India's massive energy consumption and assist India to act in a more environmentally friendly capacity. The US should strike a balance between sustained development of existing resources and continued research and facilitation of new technology for future energy security. The massive energy market of India can be the type of advantage the United States needs to gain global support for alternative energy sources. Many American companies are reluctant to expand into unproven energy fields, seeing little fiscal gain. India can be the nation that helps those companies turn the corner; the massive market highlights the economic opportunities.

Post-World War II, the United States developed global institutions that melded to the American way of life, allowing the United States to dominate the globe politically, economically, and militarily. However, those institutions are in need of some updating for the current geopolitical environment. Now is the time for the United States to take advantage of the shared interests globally among many regional powers and to develop new institutions and regimes. Investing in these cooperative partnerships allows the United States to continue to guide



the behavior of these influential countries.<sup>2</sup> If the United States fails to act, these nations will still find other avenues for influence, and, more than likely, that will be through another great power, notably China. The only question that remains is if the United States wants to take its chances with short-term thinking or buck the system and develop a long-term strategy to maximize the growth of these regional powers.



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<sup>2</sup> Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, 1st Princeton classic ed. (Princeton, NJ: Princeton University Press, 2005), 46-50.

## **Acronyms**

CIS – Commonwealth of Independent States  
FTAA – Free Trade Agreement of the Americas  
G20 – Group of Twenty  
GDP – Gross Domestic Product  
IAF – Indian Air Force  
IIRSA – Initiative for the Integration of Regional Infrastructure in South America  
MERCOSUL – South American Common Market  
NATO – North Atlantic Treaty Organization  
OPEC – Organization of the Petroleum Exporting Countries  
RPSF – Regional Power and Security Framework  
SAARC – South Asian Association for Regional Cooperation  
SCO – Shanghai Cooperation Organization  
SLOC – Sea-Lanes of Communication  
START – Strategic Arms Reduction Treaty  
USASUR – Union of South American Nations  
UN – United Nations

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